CONSOLIDATED FINANCIAL STATEMENTS

of Capital Group EMC Instytut Medyczny

for the year

ended 31December 2016

Wrocław, 10 March 2017

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CONSOLIDATED FINANCIAL STATEMENTS

Approval of the annual condensed consolidated financial statements for the period of 12 months ended 31 December 2016

These annual consolidated financial statements were approved to be made public by the Management Board on 10 March 2017.

Signatures of all Management Board members:

The President of the Management Board

Rafał Szmuc …………………………………………..

The Member of Management Board

Tomasz Suchowierski …………………………………………..

The Member of Management Board

Maciej Piorunek …………………………………………..

Wrocław, 10 March 2017

(in PLN thousand, unless otherwise stated)

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016

AN INCOME STATEMENT (a comparative statement)	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Revenues from sales	14.1	**277 484**	**258 070**
Net revenues from sales of products		274 601	255 690
Net revenues from sales of goods and materials		2 883	2 380
Operating expenses		**287 377**	**263 915**
Amortisation and depreciation		14 258	13 141
Consumption of materials and energy		39 961	39 848
Outsourcing		108 790	97 835
Taxes and charges		1 737	1 495
Payroll	14.6	98 883	90 859
Social insurance and other benefits	14.6	18 399	16 510
The other costs by type		3 008	2 342
Value of goods and materials sold		2 341	1 885
Loss on sales		**(9 893)**	**(5 845)**
The other operating revenues	14.2	4 992	4 949
The other operating expenses	14.3	1 763	931
Loss on operating activities		**(6 664)**	**(1 827)**
Financial revenues	14.4	309	334
Financial costs	14.5	3 057	2 383
Loss on business activities		**(9 412)**	**(3 876)**
Gross loss		**(9 412)**	**(3 876)**
Income tax	15	**1 781**	**551**
Net loss, including:		**(11 193)**	**(4 427)**
Parent Undertaking's Shareholders	17	**(11 142)**	**(4 498)**
Non-controlling Shareholders		**(51)**	**71**
Weighted average number of shares		13 285 346	12 901 383
Loss per share of Parent Undertaking Shareholders in PLN		**(0,8387)**	**(0,3486)**
- diluted loss per share of Parent Undertaking Shareholder in PLN		(0,8387)	(0,3486)

(in PLN thousand, unless otherwise stated)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2016

Other comprehensive income	For the year ended	
	31 December 2016	31 December 2015
Net loss	**(11 193)**	**(4 427)**
Other comprehensive income		
Items being reclassified into a profit/loss in next financial periods:	11	3
Foreign exchange gains and losses from conversion	11	3
Other comprehensive net income being reclassified into a profit/loss in next financial periods	**11**	**3**
Items not being reclassified into a profit/loss in next financial periods:	229	195
Actuarial profits/losses concerning the programmes of particular benefits	239	195
Other	(10)	-
Income tax concerning other comprehensive income	(44)	(37)
Another comprehensive net income not being reclassified into a profit/loss in next financial periods	**185**	**158**
Other comprehensive net income	**196**	**161**
Total income for the period	**(10 997)**	**(4 266)**
Total income concerning:		
Parent Undertaking Shareholders	**(10 946)**	**(4 337)**
Non-Controlling Shareholders	**(51)**	**71**
Total comprehensive income	**(10 997)**	**(4 266)**

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF THE FINANCIAL STANDING

as at 31 December 2016

Assets	Note	As at	
		31 December 2016	31 December 2015
Fixed assets		**242 053**	**197 849**
Intangible assets	19	33 131	9 533
Tangible fixed assets	20	205 561	183 845
Investment real estates	22	880	907
Deferred tax assets	15.3	2 481	3 564
Current assets		**46 135**	**54 529**
Inventories	28	3 124	2 953
Receivables due to deliveries and services	29	29 812	28 142
The other receivables	29	1 334	924
Receivables due to income tax	29	108	332
The other financial assets	30	-	5 060
Prepayments		878	768
Cash and other pecuniary assets	31	10 879	16 350
Total assets		**288 188**	**252 378**

(in PLN thousand, unless otherwise stated)

Liabilities and Equity	Note	A at	
		31 December 2016	31 December 2015
Equity (Parent Undertaking Shareholders)		**134 025**	**144 971**
Share capital	32	53 141	53 141
Inventory capital	33	96 144	96 144
Exchange differences due to converting a foreign entity	33.1	242	231
Retained earnings	33.1, 33.2	(15 502)	(4 545)
Capital of non-controlling Shareholders	33	**7 851**	**7 902**
Total equity		**141 876**	**152 873**
Long-term liabilities		**47 386**	**43 008**
Reserves due to deferred income tax	15.3	2 063	1 016
Reserves for liabilities due to employee	27,35	4 210	5 264
The other reserves	35	554	636
Credits and loans	34	26 625	16 807
Due to leasing	21	2 657	2 953
The other liabilities	36.1	3 774	8 104
Long-term accruals	36.3	7 503	8 228
Short-term liabilities		**98 926**	**56 497**
Reserves for liabilities due to employee	27,35	1 032	653
The other short-term reserves	35	953	1 034
Credits and loans	34	47 433	20 000
Due to deliveries and services	36.2	27 023	16 350
Due to leasing	21	2 074	1 934
Due to income tax	36.2	73	98
The other liabilities	36.2	16 151	11 269
Short-term accruals	36.3	4 187	5 159
Total Liabilities and Equity		**288 188**	**252 378**

(in PLN thousand, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

Items	Note	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash flows from operating activities			
Gross loss		**(9 412)**	**(3 876)**
Total adjustments		**27 738**	**18 235**
Amortisation and depreciation		14 258	13 141
Exchange gains (losses)		(2)	5
Interest and profit sharing (dividends)		2 381	1 829
Profit/loss on investment activities		(15)	-
Change in reserves	37	(1 017)	(1)
Change in inventory	37	122	(8)
Change in receivables	37	936	444
Change in short-term liabilities excluding credits and loans	37	13 491	(1 807)
Change in prepayments and accruals	37	(1 948)	3 183
Other adjustments – commission on credits, costs of Stock Exchange	37	89	231
Income tax paid	37	(557)	1 218
Net cash flows from operating activities		**18 326**	**14 359**
Cash flows from investment activities			
Inflows		**5 157**	**10 101**
Disposal of intangible assets and tangible fixed assets		97	20
Other investment inflows – deposits above 3 months		-	81
Outflows		5 060	10 000
Purchase of intangible assets and tangible fixed assets		**59 519**	**33 471**
Due to financial assets		31 381	18 240
Other investment outflows – deposits above 3 months	37	28 138	150
Net cash flows from investment activities		-	15 081
Cash flows from financial activities		**(54 362)**	**(23 370)**
Net cash flows from operating activities			
Inflows		**53 808**	**35 520**
Net inflows from the issue of shares and other capital instruments as well as additional payment for capital		-	19 890
Credits and loans		53 808	15 630
Outflows		**23 245**	**27 085**
Credits repayment		19 011	15 990
Purchase of debt securities		-	7 000
Obligations payment due to the contracts of financial leasing		2 481	1 966
Interest		1 753	2 129
Loan fees		-	-
Cash flows from financial activities		**30 653**	**8 435**
Total net cash flows		**(5 473)**	**(576)**
Balance sheet change in cash including:		**(5 471)**	**(581)**
Change in cash due to exchange differences		**(2)**	**5**
Cash at the beginning of the period	31	**16 350**	**16 931**
Cash at the end of the period, including:	31	**10 877**	**16 355**
cash with a limited possibility of disposing		4 920	**-**

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	Initial capital	Supplementary capital	Foreign currency exchange differences	Retained earnings	Total capital of shareholders of the Parent Company	Capital of non-controlling Shareholders	Total equity
As at 01/01/2016	**53 141**	**96 144**	**231**	**(4 545)***	**144 971**	**7 902**	**152 873**
Results for the period	-	-	-	(11 142)	**(11 142)**	(51)	**(11 193)**
Other comprehensive income, including:	-	-	11	185	**196**	-	196
Exchange differences due to converting a foreign entity	**-**	**-**	11	**-**	11	-	11
Actuarial profits/losses concerning the programmes of particular benefits	**-**	**-**	**-**	195	195	-	**195**
Others	**-**	**-**	**-**	(10)	(10)		**(10)**
Comprehensive income for the period	**-**	**-**	**11**	**(10 957)**	**(10 946)**	**(51)**	**(10 997)**
Increasing the capital in the Company	-	-	-	-	-	-	**-**
Costs of obtaining capital	-	-	-	-	-	-	**-**
As at 31/12/2016	**53 141**	**96 144**	**242**	**(15 502)**	**134 025**	**7 851**	**141 876**

Item	Initial capital	Supplementary capital	Foreign currency exchange differences	Retained earnings	Total capital of shareholders of the Parent Company	Capital of non-controlling Shareholders	Total equity
As at 01/01/2015	**48 078**	**81 317**	**228**	**(205)***	**129 418**	**7 831**	**137 249**
Results for the period	-	-	-	(4 498)	**(4 498)**	71	**(4 427)**
Other comprehensive income, including:			3	158	**161**	-	161
Exchange differences due to converting a foreign entity	**-**	**-**	3	**-**	3	**-**	**3**
Actuarial profits/losses concerning the programmes of particular benefits	**-**	**-**	**-**	158	158	**-**	**158**
Comprehensive income for the period	**-**	**-**	**3**	**(4 340)**	**(4 337)**	**71**	**(4 266)**
Increasing the capital in the Company	5 063	14 937	-	-	20 000	-	**20 000**
Costs of obtaining capital	-	(110)	-	-	(110)	-	**(110)**
As at 31/12/2015	**53 141**	**96 144**	**231**	**(4 545)**	**144 971**	**7 902**	**152 873**

* Change in reserve capital and retained earnings (disclosed in Note 33.1)

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. GENERAL INFORMATION

Capital Group EMC Instytut Medyczny ('the Group') consists of EMC Instytut Medyczny SA ('the parent undertaking',' the Company') as well as its subsidiaries (see Note no 5).

The consolidated financial statements of the Group covers the year ended 31 December 2016 and It contains comparative data for the year ended 31 December 2015.

The Parent entity has been entered in the National Court Register run by the District Court for Wrocław Fabryczna, 6th Commercial Division of the National Court Register, entry no 0000222636.
The Parent entity has been assigned statistical number REGON 933040945.
The principal object of the Group's business is:

- to provide health care services,
- to carry out research and develop new technologies in medicine and pharmacy.

The duration of the parent undertaking and of the entities included in the Capital Group is indefinite.
The Issuer is the parent company and is obliged to prepare consolidated financial statements.

2. ASSUMPTION OF CONTINUING BUSINESS

This consolidated financial statement of the Group has been compiled assuming that the Group would continue to conduct its business activity In the foreseeable future.

Furthermore, the Management Board of the Parent Company recognizes that there is material uncertainty as to Company's ability to continue business as described below.

Potential threats include:

- The financial result of the Group for the year ended on 31 December 2016 revealed a net loss of PLN 11,193 thousand, while short-term liabilities exceeded current assets by PLN 52,791 thousand.

- In the loan contracts signed by the Issuer with the banks BGŻ BNP Paribas SA, Zachodni WBK SA and Raiffeisen Bank Polska SA there are financial ratios, which if not met, the conditions of the contracts may change or even the contract may be terminated. As at 31 December 2016 the Issuer exceeded borderline values of financial ratios pointed by banks: BGŻ BNP Paribas SA, BZ WBK SA and Raiffeisen Bank Polska SA. Consequently, a long-term liability in the amount of PLN 21,000 thousand resulting from the investment loan contracts was presented in the part of short-term liabilities in a financial statement – it was described in Note no. 34 of this consolidated financial statement. The Loans were not made due and payable although financial conditions were not fulfilled as at 31 December 2016. The Management Board does not expect the loans to become due and payable as negotiations are being conducted in that matter.

The cash balance as at 31 December 2016 amounted to PLN 10,879 thousand, which in the opinion of the Management Board is a safe level considering the liquidity risk of the Capital Group.

Bearing in mind the financial situation of the Company and the Group, on 23 February 2016, its majority shareholder – Care Up submitted a letter of financial support for at least 12 months from the date of signing the letter.

The main shareholders of EMC Instytut Medyczny SA are:
- Penta investment fund through its special purpose vehicle CareUp BV that holds 70.61% of shares
- PZU Closed-End Investment Fund of Non-public Assets BIS 1 which holds 17.81%of shares and PZU Closed-End Investment Fund of Non-public Assets BIS 2 that holds 10.50% of the shares represented and managed by TFI PZU SA.

The above-mentioned shareholders jointly hold 98.92% of the shares of EMC SA. The involvement and support in particular financially by both major shareholders have been firmly proven either by increasing the capital or granting loans over the last few years. The majority shareholder intends to support EMC Instytut Medyczny SA in the long run.

The Management Board of EMC Instytut Medyczny SA has been implementing corrective measures to improve the financial results of all medical units since the beginning of 2015. Such activities primarily consist of:

- increasing revenues from commercial sales,
- increasing the number of contracts with the NHF with respect to individual contracts for providing healthcare services,
- standardization of all procedures in clinics and hospitals within the group with particular emphasis on the health and life of the patient,
- implementing the Shared Services Centre in specific areas to support medical units,
- centralization of purchases in both operating and investment activities,
- acquisition of new medical units to help cover a large range of existing fixed costs within the group,
- cooperation with other medical companies in Penta portfolio to share best operational practices and economic activities.

Financial plans and projections for future cash flows for 2017 prepared by the Management Board of the parent undertaking do not indicate a risk of loss of liquidity within 12 months from the balance sheet date, assuming that the Group's financial results will have been realized in the next 12 months from the balance sheet date.

Changing the basis for financing health care services by the National Health Fund. According to draft amendments to the Act of 27 August 2004 on State-funded health care services that was submitted to the Parliament on 21 February 2017, hospitals forming the so-called "network of hospitals" will be excluded from the current system of financing health care services based on the competition system and will be provided with the NHF funding in a flat-rate system. The hospital network shall be made of medical facilities included in the primary hospital care system. The Criteria for qualifying medical service providers to the hospital network are to be based, in particular, on the scope of healthcare services rendered. The Management boars board recognizes the risks associated with the new regulations and creating a network of hospitals. The new regulations will particularly affect few hospitals and clinics in the group. The Board takes appropriate steps to minimize and / or eliminate existing risks. Steps taken include, but are not limited to, the lawful merger of medical entities, modernizing hospitals to meet the criteria for additional contracting as well as negotiating with the Ministry of Health on specialized hospitals.

3. PERIODS FOR WHICH THE FINANCIAL STATEMENTS ARE PRESENTED

The financial statements represent the period 01.01 2016 to 31.12.2016 and include comparable data for the period 01.01.2015 to 31.12.2015.

4. THE BODIES OF THE PARENT UNDERTAKING

The following changes have occurred in the Management Board of EMC Instytut Medyczny SA in 2016 and until the day of compiling the financial statement:

- On 30 April 2016 Mrs Agnieszka Szpara resigned from her position as a Member and President of the Management Board of EMC Instytut Medyczny SA. The resignation was announced in a current report no. 28/2016 of 31March 2016,
- On 2 May 2016 Mrs Bożena Gołębiowska resigned from her position as a Member of the Management Board of EMC Instytut Medyczny SA. The resignation of the Management Board Member was announced in a current report no. 30/2016 of 2 May 2016.
- On 1 October 2016 Mr Ireneusz Pikulicki resigned from his position as a Member of the Management Board of EMC Instytut Medyczny SA. The resignation of the Management Board Member was announced in a current report no. 51/2016 of 20 September 2016.
- On 1 October 2016 Mr Maciej Piorunek was appointed as a Member of the Management Board of EMC Instytut Medyczny SA. The nomination of the Management Board Member was announced in a current report no. 53/2016 of 30 September 2016.

The Management Board, as at 31 December 2016, was composed of:

- Tomasz Suchowierski Member of the Management Board
- Maciej Piorunek Member of the Management Board

- On 10 January 2017 Mr Rafał Szmuc was appointed as a Member of the Management Board and the President of the Management Board of EMC Instytut Medyczny SA by the Supervisory Board of EMC Instytut Medyczny SA.. The nomination of the President of the Management Board was announced in a current report no. 01/2017 of 10 January 2017.

The Management Board, on the day of submitting this financial statement, is composed of

- Rafał Szmuc President of the Management Board
- Tomasz Suchowierski Member of the Management Board
- Maciej Piorunek Member of the Management Board

The following changes have occurred in the Supervisory Board of EMC Instytut Medyczny SA in 2016 and until the day of compiling the financial statement:

- On 2 February 2016 Mr Waldemar Krzysztof Kmiecik resigned from his position as a Member of the Supervisory Board of EMC Instytut Medyczny SA., which the Issuer announced in a current report no. 8/2016 of 2 February 2016.
- On 10 March 2016 Mrs Lenka Siklinková was appointed as a Member of the Supervisory Board of EMC Instytut Medyczny SA. by the Extraordinary General Meeting of Shareholders, which the Issuer announced in a current report no. 24/2016 of 10 March 2016.
- On 20 December 2016 Mrs Lenka Siklinková resigned from her position as a Member of the Supervisory Board of EMC Instytut Medyczny SA., which the Issuer announced in a current report no. 57/2016 of 20 December 2016.
- On 20 December 2016 Mr Attila Vegh was appointed as a Member of the Supervisory Board of EMC Instytut Medyczny SA. by the Extraordinary General Meeting of Shareholders, which the Issuer announced in a current report no. 59,2016 of 20 December 2016.

(in PLN thousand, unless otherwise stated)

The Supervising Board as at 31 December/2016 and on the day of submitting this financial statement is composed of:

- Vaclav Jirkú Chairman of the Supervisory Board
- Mateusz Słabosz Member of the Supervisory Board
- Grzegorz Stępiński Member of the Supervisory Board
- Jędrzej Litwiniuk Member of the Supervisory Board
- Attila Vegh Member of the Supervisory Board

5. GROUP'S STRUCTURE

Subsidiaries as at 31 December 2016 included:

Company	Location	Date of purchasing shares	A number of shares	A number of shares	% of voices on Shareholders Meeting
Lubmed Sp. z o.o.	Lubin	January 2005	4.214	100.00%	100.00%
Mikulicz Sp. z o.o.	Świebodzice	July 2006	8.824	94.27%	94.27%
EMC Health Care Limited	Ireland	April 2007	300.300	100.00%	100.00%
EMC Silesia Sp. z o.o.	Katowice	November 2008	12.735	65.82%	65.82%
PCZ Kowary Sp. z o.o.	Kowary	January 2009	16.322	96.17%	96.17%
Silesia Med Serwis Sp. z o.o.	Katowice	March 2010	600	100.00 %	100.00 %
„EMC Piaseczno" Sp. z o.o.	Piaseczno	November 2010	10.600	100.00%	100.00%
„Zdrowie" Sp. z o.o.*	Kwidzyń	July 2013	34.538	87.49%	87.49%
Regionalne Centrum Zdrowia Sp. z o.o.	Lubin	February 2014	51.730	100.00%	100.00%
CM Medyk Sp. z o.o.**	Wrocław	August 2016	1.300	100.00%	100.00%
NZOZ Zawidawie Sp. z o.o.**	Wrocław	August 2016	2.128	100.00%	100.00%
Q-Med. Sp. z o.o.**	Oleśnica	August 2016	10.050	100.00%	100.00%

* On 8 April 2016, executing the agreement on the preliminary sale of shares and the use of shares of 31 May 2013, a contract was signed for the sale of shares of "Zdrowie" Sp. z o.o. with its registered office in Kwidzyń between Kwidzyń County (the Seller) and the Issuer (the Buyer).

In 2013, under the preliminary agreement, the Issuer became a user of 87.4867% shares of "Zdrowie" sp. z o.o., seated in Kwidzyn - shares owned by Kwidzyń County, the City of Kwidzyn, PEC sp. o.o. Kwidzyn, PWiK sp. o.o. in Kwidzyń. Based on the analysis conducted, the Management Board of EMC Instytut Medyczny SA has found to exercise control over the company "Zdrowie" Sp. As a result, since that day on, it has been consolidated within the Capital Group EMC Instytut Medyczny.

The subject of the contract is the acquisition by EMC Instytut Medyczny SA of a total of 70.93% of shares of "Zdrowie" sp. z o.o. ,which is owned by the Seller. The sale price of the shares of Kwidzyń County has been established as a result of negotiations on the basis of a public invitation and was increased by the average consumer price index for the previous year that was published in the Official Journal of the Republic of Poland by the President of the Central Statistical Office and was calculated at the beginning of each year (100,9%) totals PLN 6,544 thousand. A 15% deposit of the sale price, calculated on the day of signing the preliminary contracts for the sale of shares and the use of the shares, has been included in the sales price. The price of the shares that amounts to PLN 5,571,164.76 was paid on the contract date, i.e. on 8 April 2016 to the bank account of Kwidzyń County. The signing of the sale agreement was announced in the current report no. 29/2016 of 8 April 2016.

(in PLN thousand, unless otherwise stated)

The remaining 16.56% shares have still been owned since 2013, and therefore as at 31 December 2016, liabilities of PLN 1,287 thousand were disclosed.

** On 1 August 2016, the Issuer purchased 100% of shares in Q-Med Sp. z o.o. with its registered office in Oleśnica (Q-Med), CM Medyk Sp. z o.o. with its registered office in Wrocław (CM Medyk) and shares of the Company NZOZ Zawidawie Sp. z o.o. with its registered office in Wrocław (ZAWIDAWIE Company), medical companies operating under the brand name Active Health Center (AHC).

The shares of Q-Med were acquired under the Investment Agreement - the share purchase agreement of 28 July 2016 from MED-ART Sp. z o.o. with its registered seat in Oleśnica.

The Issuer acquired 100% of shares in Q-Med Sp. z o.o. - which represents 10,050 shares with a nominal value of PLN 100 each and a total nominal value of PLN 1,005 thousand, at the price of PLN 8,584 thousand. The conclusion of the contract was announced in the current report no 38/2016 of 18 July 2016, 41/2016 of 25 July 2016, 45/2016 of 29 July 2016.

The shares of CM Medyk were purchased under the Investment Agreement - the share purchase agreement of 28 July 2016 from WG Corp. Sp. z o.o. with its registered seat in Oleśnica.

The Issuer acquired 100% of shares of CM Medyk Sp.z o.o. - representing 1,300 shares with a nominal value of PLN 500 each, with a total nominal value of PLN 650 thousand at a price of PLN 1,519 thousand. The conclusion of the contract was announced in the current report no. 38/2016 of 18 July 2016, no. 41/2016 of 25 July 2016, no. 45/2016 dated 29 July 2016.

The shares of ZAWIDAWIE were acquired under the Investment Agreement - share purchase agreement of 25 July 2016 from SUNZI Sp. z o.o. with its registered office in Legnica.

The Issuer acquired 100% of the shares of the Company NZOZ Zawidawie Sp. z o.o. - which represents 2,128 shares in the Company's share capital with a nominal value of PLN 645,00 each, with a total nominal value of PLN 1,373 thousand for a price of PLN 16,902 thousand.
The conclusion of the contract was announced in the current report no 38/2016 of 18 July 2016 and 40/2016 of 25 July 2016.

Subsidiaries as at 31 December 2015:

Subsidiary	location	Date of purchasing shares	A number of shares	% share in capital	% of voices on Shareholders Meeting
Lubmed Sp. z o.o.	Lubin	January 2005	4.214	100.00%	100.00%
Mikulicz Sp. z o.o.	Świebodzice	July 2006	8.824	94.27%	94.27%
EMC Health Care Limited	Ireland	April 2007	300.300	100.00%	100.00%
EMC Silesia Sp. z o.o.*	Katowice	November 2008	12.735	65.82%	65.82%
PCZ Kowary Sp. z o.o.	Kowary	January 2009	16.322	96.17%	96.17%
Silesia Med Serwis Sp. z o.o.	Katowice	March 2010	600	100.00 %	100.00 %
„EMC Piaseczno" Sp. z o.o.**	Piaseczno	November 2010	10.600	100.00%	100.00%
„Zdrowie" Sp. z o.o.	Kwidzyn	July 2013	34.538	87.49%	87.49%
Regionalne Centrum Zdrowia Sp. z o.o.	Lubin	February 2014	51.730	100.00%	100.00%

(in PLN thousand, unless otherwise stated)

* On 2 April 2015 the increase in share capital of the subsidiary EMC Silesia Sp. z o.o was registered with the National Court Register. A Resolution of the Extraordinary General Meeting of Shareholders on the increase in the share capital of the subsidiary EMC Silesia Sp. z o.o. was adopted on 28 November 2014. 3,939 shares in the share capital of the Company were taken over by a shareholder - City of Katowice, while 1,606 shares were acquired by a partner - EMC Instytut Medyczny SA. Following the increase in the share capital, the Issuer holds 65.82% of the share capital of EMC Silesia Sp. z o.o. The capital increase transaction has already been included in the Group's consolidated financial statements for 2014.
** On 22 September 2015, the increase in share capital of the subsidiary "EMC Piaseczno" Sp. z o.o. was registered with the National Court Register. A Resolution of the Extraordinary General Meeting of Shareholders on the increase in the share capital of the subsidiary "EMC Piaseczno" Sp. z o.o was adopted on 13 August 2015. The share capital was increased by PLN 800 thousand by issuing 800 shares with a nominal value of PLN 1 thousand. All shares in the share capital of the Company have been taken up by the sole shareholder - EMC Instytut Medyczny SA.

All the companies have been fully consolidated.

5.1 Settling the acquisition of new units in the Group

In the period of 12 months ended 31 December 2016, three new companies: NZOZ Zawidawie Sp. z o.o., CM Medyk Sp. z o.o., Q-Med. Sp. z o.o. have been purchased by the Issuer.

a) The final settlement of the acquisition of NZOZ Zawidawie Sp. z o.o.

In the fourth quarter of 2016 EMC Group finally settled the acquisition of NZOZ Zawidawie Sp. z o.o. As at 1 August 2016, the following assets and liabilities of NZOZ Zawidawie Sp. z o.o. have been identified.

	determined fair value
Other intangible assets	823
Relationship with patients	2 666
Buildings and structures	180
Means of transportation	168
The other tangible fixed assets	1 019
Fixed assets under construction	14
Deferred tax assets	42
Materials	121
Receivables due to deliveries and services	1 364
Other receivables	580
Loans granted	1 183
Cash in hand and at bank	76
Short-term prepayments and accruals	52
Deferred tax liability	(558)
Reserves for retirement benefits and similar	(250)

(in PLN thousand, unless otherwise stated)

	determined fair value
Credits and loans	(1 447)
Liabilities due to deliveries and services	(587)
Other financial liabilities	(67)
Liabilities due to taxes, duties, insurance and other benefits	(376)
Payroll	(285)
Other short-term liabilities	(10)
Special funds	(2)
Other accruals	(1)
Net assets acquired	**4 709**
Amount paid in cash	15 358
Discounted payment deferred due to guarantee deposit amounting to 10% of the purchase value (to be paid in cash)	1 544*
Total remuneration due to acquisition	**16 902**
Goodwill	12 193

* Guarantee deposit retained for unexpected events that could have occurred after the date of signing the sales contract. This amount will be released successively, in two instalments (1 August 2017 and 1 August 2018) and reduced by the value of any damages.

The scope of business of NZOZ Zawidawie Sp. z o.o. is providing health care services by running a group of outpatient clinics.

The purchase agreement was made in accordance with the strategy of the Capital Group EMC Instytut Medyczny SA which aimed to develop a model of treatment tailored to meet each patient's needs - ranging from GP, through specialists' consultation, full diagnostics, hospital treatment, care for the elderly in specialized centres or in the patient's home. In addition, based on past experience in taking over hospitals and outpatient clinics, EMC Group has seen the opportunity to expand its medical activity, optimize company costs in management and administration as well as utilizing synergy effect within the Group. Goodwill of PLN 12,193 thousand represents the Group's potential for acquiring new patients.

The Issuer has incurred costs related to acquiring the company (tax on civil law transactions, notary fees, financial and tax reporting) in the total amount of PLN 203 thousand which charged the result of the current period and were included in the following cost categories:
• taxes and fees
• outsourced services
NZOZ Zawidawie Sp. z o o, for the period from the acquisition date to 31 December 2016, has generated revenue of PLN 6,744 thousand and the net profit generated by the company for the benefit of the Group amounted to PLN 276 thousand. These numbers have been included in the Group's consolidated income statement for the 12 months ended 31 December 2016.
If the acquisition had taken place on 1 January 2016, the Group's revenue would have increased by PLN 8,609 thousand, while net loss would have decreased by PLN 52 thousand.

(in PLN thousand, unless otherwise stated)

b) The final settlement of the acquisition CM Medyk Sp. z o.o.

In the fourth quarter of 2016 EMC Group finally settled the acquisition of CM Medyk Sp. z o.o purchased on 1 August 2017. As at 1August 2016, the following assets and liabilities of CM Medyk Sp. z o.o. have been identified.

	determined fair value
Other intangible assets	46
Buildings and structures	41
Means of transportation	27
The other tangible fixed assets	115
Deferred tax assets	7
Materials	2
Receivables due to deliveries and services	138
Other receivables	14
Cash in hand and at bank	81
Short-term prepayments and accruals	5
Reserves for retirement benefits and similar	(24)
Credits and loans	(22)
Liabilities due to deliveries and services	(79)
Liabilities due to taxes, duties, insurance and other benefits	(24)
Payroll	(20)
Net assets acquired	**307**
Amount paid in cash	1 379
Discounted payment deferred due to guarantee deposit amounting to 10% of the purchase value (to be paid in cash)	140*
Total remuneration due to acquisition	**1 519**
Goodwill	1 212

* Guarantee deposit retained for unexpected events that could have occurred after the date of signing the sales contract. This amount will be released successively, in two instalments (1 August 2017 and 1 August 2018) and reduced by the value of any damages.

The scope of business of CM Medyk Sp. z o.o. is providing health care services by running a group of outpatient clinics. The purchase agreement was made in accordance with the strategy of the Capital Group EMC Instytut Medyczny SA which aimed at developing a model of treatment tailored to meet each patient's needs - ranging from GP, through specialists' consultations, full diagnostics, hospital treatment, care for the elderly in specialized centres or in the patient's home. In addition, based on past experience in taking over hospitals and outpatient clinics, EMC Group has seen the opportunity to expand its medical activity, optimize company costs in management and administration as well as utilizing synergy effect within the Group. Goodwill of PLN 12,193 thousand represents the Group's potential for acquiring new patients.

(in PLN thousand, unless otherwise stated)

The Issuer has incurred costs related to acquiring the company (tax on civil law transactions, notary fees, financial and tax reporting) in the total amount of PLN 57 thousand which charged the result of the current period and were included in the following cost categories:
• taxes and fees
• outsourced services
CM Medyk Sp. z o. o for the period from the acquisition date to 31 December 2016, generated revenue of PLN 594 thousand and the net profit generated by the company amounted to PLN 16 thousand. These numbers have been included in the Group's consolidated income statement for the 12 months ended 31 December 2016.
If the acquisition had taken place on 1 January 2016, the Group's revenue would have increased by PLN 804 thousand, while net loss would have increased by PLN 44 thousand.

c) The final settlement of the acquisition of Q-Med Sp. z o.o.

In the fourth quarter of 2016 EMC Group finally settled the acquisition of Q-Med Sp. z o.o purchased on 1 August 2017. As at 1 August 2016 the following assets and liabilities of Q-Med Sp. z o.o have been identified:

	determined fair value
Other intangible assets	35
Relationship with patients	1 725
Buildings and structures	6
The other tangible fixed assets	255
Deferred tax assets	29
Goods	159
Advances for delivery	11
Other receivables from related parties	60
Receivables due to deliveries and services	621
Receivables due to taxes, duties, insurance and other benefits	8
Other receivables	3
Cash in hand and at bank	681
Short-term prepayments and accruals	7
Deferred tax liability	(341)
Reserves for retirement benefits and similar	(144)
Credits and loans	(91)
Liabilities due to deliveries and services	(328)
Liabilities due to taxes, duties, insurance and other benefits	(87)
Payroll	(17)

(in PLN thousand, unless otherwise stated)

	determined fair value
Other short-term liabilities	(9)
Net assets acquired	**2 583**
Amount paid in cash	7 781
Discounted payment deferred due to guarantee deposit amounting to 10% of the purchase value (to be paid in cash)	803*
Total remuneration due to acquisition	**8 584**
Goodwill	6 001

* Guarantee deposit retained for unexpected events that could have occurred after the date of signing the sales contract. This amount will be released successively, in two instalments (1 August 2017 and 1 August 2018) and reduced by the value of any damages.

The scope of business of Q-Med Sp. z o.o is providing health care services by running a group of outpatient clinics.
The purchase agreement was made in accordance with the strategy of the Capital Group EMC Instytut Medyczny SA which aimed at developing a model of treatment tailored to meet each patient's needs - ranging from GP, through specialists' consultation, full diagnostics, hospital treatment, care for the elderly in specialized centres or in the patient's home. In addition, based on past experience in taking over hospitals and outpatient clinics, EMC Group has seen the opportunity to expand its medical activity, optimize company costs in management and administration as well as utilizing synergy effect within the Group. Goodwill of PLN 6.001 thousand represents the Group's potential for acquiring new patients.

The Issuer has incurred costs related to acquiring the company (tax on civil law transactions, notary fees, financial and tax reporting) in the total amount of PLN 120 thousand which charged the result of the current period and were included in the following cost categories:
• taxes and fees
• outsourced services

Q-Med Sp. z o.o. for the period from the acquisition date to 31 December 2016, generated revenue of PLN 3.810 thousand and the net profit generated by the company amounted to PLN 286 thousand. These numbers have been included in the Group's consolidated income statement for the 12 months ended 31 December 2016.

If the acquisition had taken place on 1 January 2016, the group's revenue would have increased by PLN 4.387 thousand, while net loss would have increased by PLN 15 thousand.

(in PLN thousand, unless otherwise stated)

6. THE DECLARATIONS OF THE MANAGEMENT BOARD

The Management Board of the parent company composed of :

- Rafał Szmuc President of the Management Board
- Tomasz Suchowierski Member of the Management Board
- Maciej Piorunek Member of the Management Board

declares that the entity authorized to audit financial statements and analysing a consolidated financial statement was selected in accordance with regulations in force. The Management Board also declares that a mentioned entity and auditors auditing this statement were appropriate to express an unbiased and independent opinion on the statement in accordance with regulations in force and professional norms.
Additionally, the Management Board of the Issuer declares that according to their the best knowledge a consolidated financial statement and comparable data were conducted pursuant to accountancy principles and that the statement correctly, reliably and transparently presents both a material and financial standing and the financial result of the Capital Group of the Issuer. The Members of the Management Board declare also that the statement includes a real expression of the Issuer's development and achievements, including the description of basic threats and risks.

The consolidated financial statement was approved for publication by the Management Board of the parent company on 10 March 2017.

7. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGMENTS AND ESTIMATES

7.1 Professional judgment

Information given in this financial statement is based on estimates and professional judgments of the Boards of Management. The values received in this way will not frequently cover with real results. Amongst assumptions and estimates the most important ones in evaluating assets and liabilities are as follows:

Estimates concerning the amount of write-offs due to the surplus of medical services

The Board of Management estimates the amount of the surplus of medical services qualified as revenues on the basis its of own assessment. The surplus means medical services conducted above the value of contracts signed with the NHF. In an income statement the write-offs are presented as the element of net revenues from products sale (revenues from products sale minus write-offs due to the surplus of medical services).

The table below presents write-downs on the surplus medical services generated in 2016 as at 31 December 2016 :

The Company	The surplus of medical services	Write-off	Net in revenues
EMC Instytut Medyczny S.A.	1 349	273	1 075
EMC Piaseczno Sp. z o.o.	1 080	357	723
Lubmed Sp. z o. o.	41	6	34
Mikulicz Sp. z o. o.	389	136	252
PCZ Kowary Sp. z o. o.	346	42	304
EMC Silesia Sp. z o. o.	85	32	53
Zdrowie Sp. z o.o.	731	86	645
Regionalne Centrum Zdrowia Sp. z o.o.	3 342	260	3 082
Total	**7 362**	**1 193**	**6 169**

Guided by the precautionary principle, the Management Boards of the Group companies have made these write-downs of surplus services where there is uncertainty as to the payment from the National Health Fund.

Assumptions regarding financial forecasts

In accordance with its own judgment and knowledge, the Management of the Group makes assumptions for the purpose of preparing impairment tests for its assets. For forecast purposes, five-year plans are prepared based on forecasted flows and expected business growth.

Classifying leasing agreements

The Group classifies leasing as operational or financial on the basis of assessing the scope in which risks and advantages due to possessing the subject of leasing concern two parties to the agreement. The assessment is based on economical content of each transaction.

7.2 Estimates' uncertainty

Basic assumptions concerning the future and other crucial sources of uncertainty occurring as at a balance sheet day, with that significant risk of meaningful adjustment of balance values of assets and liabilities in next financial year, were described below.

The loss of assets' value

The Group makes tests of fixed assets value if there are premises for losing value of any element of non-financial fixed assets. It requires the estimation of usable value of the unit working out cash to which fixed assets belong to. The estimation of usable value means setting future cash flows generated by the unit working out cash and needs to set a discount rate for counting current value of these cash flows. The assumptions adopted for this purpose have been set out in Note no 24.

Doctor-patient relationship

Having acquired subsidiaries that deal with healthcare provided in outpatient clinics, the Management Board has decided to assess doctor-patient relationship. To achieve that, a database of existing patients has been established, so that it was possible to confirm the turnover and to determine the share of such turnover in the company's total revenue. The above criteria were met by a group of patients for whom primary care services have been provided under the Primary Health Care (PHC). Relationships that companies built prior to acquisition may have a significant impact on the Group's future performance.

Reserves for retirement benefits and similar ones

Estimating the amount of reserves for retirement benefits is conducted in accordance with actuarial methodology. Establishing the amounts of these reserves is based on assumptions due to both macroeconomic conditions and employees' turnover, death risk, etc.

The assets' element due to a deferred tax

The company recognizes the assets' element due to a deferred tax assuming that in the future an income profit enabling its using will be gained. Worsening tax results in the future could cause this assumption to be unjustified.

Amortisation rates

The amount of amortisation write-offs is established on a basis of a predicted period of economic usefulness of fixed asset's elements and intangible assets. Every year the company verifies assumed periods of economic usefulness on a basis of fixed assets' technical condition and current estimation.

8. THE BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the parent company and subsidiary financial statements and is presented as if the Group were one entity.

These consolidated financial statements have been drawn up in accordance with the historical cost principle.

These consolidated financial statements are presented in PLN ("PLN") and all amounts are in PLN thousand, unless otherwise indicated.

These consolidated financial statement have been prepared on the assumption that the Group companies will continue to operate in the foreseeable future. Potential threats to the continuation of business as well as remedial measures taken by the Management Board of the parent company have been included in Note 2 of the accounting policies and additional explanatory notes.

8.1 A declaration about conformity with IFRS

These consolidated financial statement have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") as approved by the EU ("EU IFRS"). As at the date of approval of this report for publication, considering the ongoing process of adopting IFRS standards and the Group's business, the IFRS accounting policies differ from those of the EU IFRS.

IFRS include the standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The Group keeps its accounts in accordance with the accounting policy (principles) as defined in the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2016, item 1047) ('the Act') along with the regulations issued on the basis thereof ("Polish Accounting Standards"). The consolidated financial statements contain adjustments that have not been included in the accounting records of the Group entities which have been introduced to bring the financial statements of those entities into compliance with IFRS.

8.2 Functional and reporting currency

Both the functional and reporting currency of the parent company and majority of companies included in these consolidated financial statements is PLN. The functional currency of EMC Health Care Ltd. is EUR.

9. CHANGES IN APPLIED ACCOUNTING PRINCIPLES

Accounting principles (policy) applied to compile this condensed consolidated financial statement are consistent with those used in compiling the annual consolidated financial statements of the Group as at 31 December 2015 except for the new or altered standards and interpretations applicable for annual periods beginning on or after 1 January of 2016:

a) Specified benefits plans: Employee Contributions - Amendments to IAS 19

Amendments to IAS 19 "Employee Benefits" were published by the International Accounting Standards Board in November 2013. Such amendments allow the contributions made by the employees to be to recognized as a reduction in employment costs in the period in which the work is performed, instead of assigning contributions to the work periods, as long as the amount of the employee's contribution is independent of seniority. The changes did not have a significant impact on the consolidated financial statements.

b) Annual amendments to IFRS 2010-2012

in December 2013, the International Accounting Standards Board issued "The annual amendments to IFRSs 2010-2012" which affect 7 standards. Updates involve changes in presenting, capturing and measuring as well as including terminological and editorial changes.

The amendments did not have a significant impact on the consolidated financial statement.

c) Amendments to IAS 16 and IAS 41 on Bearer Plants

The Amendments require that certain bearer plants such as vines, rubber trees or oil palm (i.e., which yield crops for many years and are not intended for sale in the form of cuttings or to be harvested in harvest time) should be accounted for in accordance with IAS 16 Property, Plant and Equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The above amendments do not affect the Group's business.

d) Amendments to IFRS 11 on the acquisition of an interest in a joint operation MSSF 11

This amendment to IFRS 11 requires an investor, if he or she acquires a share in a joint business within the meaning of IFRS 3, to apply for the acquisition of its share of the rules on business combination accounting in accordance with IFRS 3 and the rules that derive from other standards, unless they conflict with the guidelines in IFRS 11.

The amendments did not affect the consolidated financial statements.

e) Amendments to IAS 16 and IAS 38 concerning acceptable methods of depreciation and amortisation

The amendment clarifies that the use of a revenue-based depreciation method is not appropriate because the revenue generated by the activity that uses the asset data also reflects factors other than the consumption of the economic benefits of the asset.

The amendments did not affect the consolidated financial statements.

f) Annual amendments to IFRS 2012-2014

In September 2014, the International Accounting Standards Board issued "Annual Amendments to IFRS 2012-2014", which affect: IFRS 5, IFRS 7, IAS 19 and IAS 34.
The amendments did not affect the consolidated financial statement.

g) Amendments to IAS 1

In December 2014, as part of the work on the so-called disclosure initiative, the International Accounting Standards Board published an amendment to IAS 1.The amendments clarify that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments did not affect the consolidated financial statements.

h) Amendments to IAS 27 on Equity Method in Separate Financial Statements

The amendment to IAS 27 permits the use of the equity method as one of the optional methods for recognizing investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.

The amendments did not affect the consolidated financial statements.

i) Amendments to IFRS 10, IFRS 12 and IAS 28 on exception from the requirements of consolidation in investment units

Amendments to IFRS 10, IFRS 12 and IAS 28 on exclusion from the consolidation of investment units Amendment to IFRS 10, IFRS 12 and IAS 28, Investment Units: the exception from the requirements of the consolidation specifies the requirements for investment units and introduces certain facilitation. The Standard clarifies that investment entities should present their investments in subsidiaries as a net investment that is measured at fair value.

In addition, it was clarified that a subsidiary is exempt from preparing a consolidated financial statement if the parent company publishes financial statements whether or not the subsidiaries are consolidated or measured at fair value in accordance with IFRS 10 in the ultimate parent financial statement.

The amendments did not affect the consolidated financial statements.

10. STANDARDS AND INTERPRETATIONS PUBLISHED WHICH HAVE NOT YET BEEN EFFECTIVE AND WHICH HAVE NOT BEEN APPLIED BY THE GROUP BEFORE

In these consolidated financial statements, the Group has decided not to apply in advance the following published standards, interpretations and amendments to existing standards prior to their effective date:

a) IFRS 9 "Financial Instruments"
IFRS 9 supersedes IAS 39. The standard is effective for annual periods beginning 1st January 2018 or after this date.

The Standard introduces a single model for only two categories of financial asset classification: measured at fair value and amortized cost. Classification is made at the time of initial recognition and is subject to the entity's adopted financial asset management model and the characteristics of contractual cash flows from these instruments.

IFRS 9 introduces a new model for determining revaluation write-offs - expected credit losses model.
Most of the requirements of IAS 39 regarding the classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. A key change is to require entities to present in their other comprehensive income the effects of changes in their own credit risk from financial liabilities designated for fair value measurement by financial result.
In the area of hedge accounting, the changes aimed to more closely align risk accounting to risk management.
The Group will apply IFRS 9 from 1 January 2018.

The Group has been analyzing the impact of the standard on the consolidated financial statements.

b) IFRS 14 "Regulatory accruals"

This standard allows entities that prepare their financial statements in accordance with IFRS for the first time (as of 1January 2016 or after that date) to account for amounts resulting from regulated activities in accordance with the hitherto applied accounting policies. In order to improve comparability with entities that already use IFRS and do not account for such amounts, according to published IFRS 14, the amounts resulting from regulated activities should be presented separately in both the statement of financial position and income statement and the statement of other total income.

IFRS 14 will not be approved by the European Union Decision.

c) IFRS 15 "Income from customer contracts"

IFRS 15 "Revenues from customer contracts" is effective for annual periods beginning on or after 1 January 2018.

The principles set out in IFRS 15 will apply to all revenue-generating contracts. The fundamental principle of the new standard is that revenue is recognised at the time of transfer of goods or services to the customer, at transaction price. All goods or services sold in packages that can be extracted within the package should be accounted for separately, and any discounts and discounts on the transaction price should, in principle, be allocated to the individual components of the package. If revenue is variable, according to the new standard, variable amounts are included in revenue, unless there is a strong likelihood that reversals will not occur in the future as a result of revaluation. In addition, in accordance with IFRS 15, the costs incurred to acquire and secure a customer contract must be activated and settled in time for the duration of the benefit of the contract.

The Group will apply IFRS 15 from 1 January 2018.

The Group has been analyzing the impact of the standard on the consolidated financial statements.

d) Notes to IFRS 15 "Revenues from customer contracts"

The explanatory notes to IFRS 15 "Income from customer contracts" were published on 12 April 2016 and apply to financial statements prepared after 1 January 2018.
These notes provide additional information and explanations on the main assumptions adopted in IFRS 15, including: identifying separate duties, determining whether the entity acts as an agent or is the principal provider and the manner of recording license income.

In addition, exemptions and simplifications have also been introduced for entities that have applied the new standard for the first time.

The Group will apply the notes to IFRS 15 from 1 January 2018.

The Group has been analyzing the impact of the notes on the consolidated financial statements.

As at the date of preparing the consolidated financial statements, Notes to IFRS 15 have not yet been approved by the European Union.

e) Amendments to IFRS 10/IAS 28 — Sales or contributions of assets between an investor and its associate/joint venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments were published on 11 September 2014. The date of application of the amended regulations has not been established by the International Accounting Standards Board.
The Group will apply the amendment as of the effective date of the provisions of the International Accounting Standards Board.

Amendments will not have a material impact on the consolidated financial statements.

As at the date of preparing these consolidated financial statements, the approval of this amendment has been postponed by the European Union.

f) IFRS 16 “The Leases standard”

IFRS 16 "Leasing" was published by the International Accounting Standards Board on 13th January 2016 and is effective for annual periods beginning on or after 1 January 2016.
1 January 2019 or after this date.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of a lease. All lease transactions result in the lessee obtaining the right to use the asset and the obligation to pay. As a result, IFRS 16 eliminates the classification of operating and financial leases in accordance with IAS 17 as well as introducing one model for the lessee to recognize the lease accounting. The Lessee will be required to account for: (a) assets and liabilities for all leases concluded over 12 months, except where the asset is of a low value; And (b) depreciation of the leased asset separately from interest on the lease liability in the financial statement
IFRS 16 largely repeats the regulations in IAS 17 for the lessor to account for a lease. Consequently, the lessor continues to classify lease as operating or financial to account for them accordingly.

The Group will apply IFRS 16 once approved by the European Union.

The Group has been analyzing the impact of the notes on the consolidated financial statement.

As at the date of preparing these consolidated financial statements, this amendment has not yet been approved by the European Union.

g) Amendments to IAS 12 on recognition of deferred tax assets from unrealized losses

The amendment to IAS 12 clarifies the requirements for recognizing a deferred tax asset on unrealized losses related to debt instruments. An entity will be required to account for deferred tax assets on unrealized losses where they are the result of discounting of cash flows related to the debt instrument using the market interest rate; also, when the entity intends to keep the debt instruments in question until the maturity date and when the nominal amount has been received, no taxes will be required to be paid. The economic benefits reflected in a deferred tax asset result from the instruments holder's ability to obtain future profits (reversing the discounting effect) without the need to pay taxes.

The amendment is effective for annual periods beginning on or after 1 January 2017.

The Group will apply the above amendment from 1 January 2017.

The Group has been analyzing the impact of the notes on the consolidated financial statements.

As at the date of preparing these consolidated financial statements, this amendment has not yet been approved by the European Union.

h) Amendments to IAS 7: Disclosure Initiative

The amendment to IAS 7 is effective for annual periods beginning on or after 1 January 2017. Entities will be required to disclose the reconciliation of changes in liabilities resulting from financial activities.

The Group will apply the above changes from 1 January 2017.

The Group is currently analyzing the impact of changes in the consolidated financial statements.

As at the date of preparation of these consolidated financial statements, this amendment has not yet been approved by the European Union.

i) Amendments to IFRS 2 classification and measurement of share-based payment transactions

The amendment to IFRS 2 is effective for annual periods beginning on or after 1 January 2018. The amendment introduces, among others, guidelines on the fair value measurement of liabilities arising from cash-settled share-based transactions, guidance on reclassification from cash-settled share-based equity-settled equity transactions, as well as guidelines on the employee's tax liability for share-based transactions.

The Group will apply the above changes from 1 January 2018.

The amendment will not have a material impact on the consolidated financial statements.

As at the date of preparing the consolidated financial statements, this amendment has not yet been approved by the European Union.

j) Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts"

Amendments to IFRS 4 "Insurance Contracts" address the issue of the application of the new IFRS 9 "Financial Instruments". The amendments published to IFRS 4 supplement the options existing in the standards and aim to prevent temporary fluctuations in the performance of insurance sector in entities in when implementing IFRS 9.

This amendment does not apply to the Group.

As at the date of preparing these consolidated financial statements, this amendment has not yet been approved by the European Union.

k) Annual amendments to IFRS 2014 - 2016

In December 2016, the International Accounting Standards Board published "Annual Amendments to IFRS 2014-2016", which affect 3 standards: IFRS 12 "Disclosures of Shares in Other Entities", IFRS 1 — First-time Adoption of International Financial Reporting Standards and IAS 28 — Investments in Associates and Joint Ventures.

The amendments set out explanations and changes in the scope of standards, recognition and valuation, as well as including terminological and editorial changes.

The Group will apply the above amendments as of 1 January 2017 (applicable to IFRS 12) and from 1 January 2018 (applicable to amendments to IFRS 1 and IAS 28).

The Group is currently analyzing the impact of changes in the consolidated financial statements.

As at the date of preparing the consolidated financial statements, this amendments has not yet been approved by the European Union.

l) Amendments to IAS 40: Reclassification of Investment Properties

Amendments to IAS 40 specify the reclassification requirements for investment properties and investment properties. The amendment applies for annual periods beginning on or after 1 January 2018.

The Group will apply the above amendments from 1 January 2018.

The Group is currently analyzing the impact of changes in the consolidated financial statements.

As at the date of preparing the consolidated financial statements, this amendments has not yet been approved by the European Union.

m) IFRIC 22 — Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018.

The Group will apply the above amendments from 1January 2018.

The Group is currently analyzing the impact of changes in the consolidated financial statements.

As at the date of preparing the consolidated financial statements, this amendments has not yet been approved by the European Union.

11. ERROR CORRECTION

No error correction was made by the Group in 2016.

12. CHANGE IN ACCOUNTING ESTIMATE

No significant changes in the areas and methods of assumptions occurred in the reporting period.

13. SIGNIFICANT ACCOUNTING PRINCIPLES

13.1 Principles of consolidation

These consolidated financial statements includes the financial statement of EMC Instytut Medyczny SA and the financial statements of its subsidiaries prepared for the year ended 31 December 2016. The financial statements of subsidiaries, when adjusted for IFRS compliance, have been prepared for the same reporting period as the financial statement of the parent company, using consistent accounting policies, based on uniform accounting policies that apply to similar transactions and economic events. In order to eliminate any discrepancies in the accounting policies applied, corrections have been introduced.

All significant balances and transactions between Group entities, including unrealized gains arising from transactions within the Group, have been fully eliminated. Unrealized losses are eliminated unless there have been impairment losses.

The subsidiary undertakings are subject to consolidation from the moment the Group assumes control over them to the moment the control ceases.

The control of the parent company over an entity takes place when:

- it has power over the entity,
- it is exposed to variable returns or holds the right to variable returns due to its commitment to the entity,
- it can use the power to affect generated returns.

The Company verifies the control of other entities if there are circumstances that indicate a change in one or more of the abovementioned terms of control.

When a company holds less than the majority of voting rights in a given entity, but the voting rights held are sufficient to unilaterally manage the entity's material activities, it means that the company exercises control over it. At the time of assessing whether the voting rights in the entity are sufficient to ensure authority, the Company shall analyze all relevant circumstances, such as:

• the amount of voting rights held compared to the number of shares and the degree of dispersion of voting rights held by other shareholders;

• potential voting rights held by the Company, other shareholders or other parties;

• rights arising from other contractual arrangements; and

• additional circumstances that may demonstrate that the Company has or does not have the possibility of taking action at a decision-making moment, including voting patterns recorded in previous meetings of shareholders.

Changes in ownership of the parent company which do not result in the loss of control of the subsidiary are accounted for as capital transactions. In such cases, to reflect changes in relative interests in a subsidiary, the Group revises the amount of controlling and non-controlling interests. Any difference between the adjustment amount of non-controlling interests and the fair value paid or received is recognized in equity and attributed to the owners of the parent company.

13.2 Investments in associates and joint ventures

Associates are entities over which the parent company has significant influence directly or through subsidiaries and which are neither its subsidiaries nor joint ventures. Joint ventures are contractual arrangements under which two or more parties engage in jointly controlled business.

Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost and subsequently adjusted to reflect the Group's interest in the financial result and other comprehensive income of the associate or joint venture. If the Group's share of losses in an associate or joint venture exceeds its share in the entity, the Group ceases to recognize its share of further losses. Additional losses are accounted for only to the extent consistent with legal or constructive obligations assumed by the Group or payments made on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the entity acquires the status of joint venture or associate. On the date of investing in an associate or joint venture, the amount by which the investment costs exceed the Group's share of the net fair value of the identifiable assets and liabilities of that entity is recognized as goodwill and included in the carrying amount of the investment. The amount by which the Group's share of net fair value exceeds the cost of investing in identifiable assets and liabilities is recognized directly in profit or loss in the period in which the investment was made.

When assessing the need to recognize impairment of an Group's investment in an associate or joint venture, the requirements of IAS 39 apply. If necessary, the entire investment balance sheet is tested for impairment under IAS 36 "Impairment of assets" as a single asset, comparing its recoverable amount With balance sheet value. Impairment recognized is part of the carrying amount of the investment. Reversal of this impairment is recognized in accordance with IAS 36 to a degree corresponding to a subsequent increase in the recoverable amount of the investment.

The Group ceases to apply the equity method on the date that the investment ceases to be its associate or joint venture and when it is classified as held for sale. The difference between the carrying amount of an associate or a joint venture at the date of discontinuance of the equity method and the fair value of retained interests and proceeds from the disposal of a portion of the interest in that entity is taken into account when calculating the gain or loss on disposal of an associate or joint venture.

The Group continues to apply the equity method when an investment in an associate becomes an investment in a joint venture or vice versa: if the investment in a joint venture becomes an investment in an associate. In case of such changes in ownership no revaluation is carried out.

If the Group reduces its share in an associate or in a joint venture but continues to account for it using the equity method, it transfers to the financial result any portion of profit or loss previously recognized in other comprehensive income corresponding to a decrease in equity if that profit or loss is reclassified to financial result once the related assets or liabilities have been disposed of.

13.3 Participation in joint actions

Joint action is a sort of common contractual arrangements in which the parties with joint control have rights to the net assets and obligations resulting from the commitments that determination. Co-control is the control over the business defined in the agreement, which occurs when the strategic financial and operating decisions related to this activity require the joint consent of the parties having joint control.
If an entity that is part of a Group engages in a joint activity, the Group recognizes the following as a party to this activity:

Assets, including their share of jointly owned assets;

Commitments, including their participation in jointly undertaken commitments;

Revenues from the sale of their share in the jointly produced goods;

Group contribution in revenue from the sale of joint products;

Expenses incurred, including group participation in costs incurred jointly.

The Group accounts for its assets, liabilities, revenues and expenses associated with its shares in joint operations in accordance with applicable IFRSs on individual assets, liabilities, income and expenses.

If an entity that belongs to the Group enters into a transactions with a joint venture, a party to which is an entity that is not a part of the Group, it is deemed to have entered into a transaction with other parties to the joint action so the gains and losses arising from that transaction are recognized in the consolidated financial statement of the Group only as regards the other party's share in the joint venture.

Where an entity of the Group has entered into a joint venture transaction where another entity belonging to the Group is a party, the Group does not recognize its share of the profits and losses until such assets are resold to a third party.

During the reporting period the Group did not participate in any joint ventures.

13.4 Fair Value Measurement

Financial instruments such as available-for-sale and derivative instruments are measured at fair value at each balance date.

Fair value is defined as the price that would have been received from the sale of an asset, or paid to transfer an obligation in a transaction carried out under the normal conditions of disposal of an asset between market participants at the valuation date under current market conditions. Valuation of fair value is based on the assumption that an asset sale or liability transfer is made either:

-in the main market for a particular asset or liability,

- in the absence of a main market, in the most profitable market for a given asset or liability.

Both the main and most profitable market must be available to the Group.

The fair value of the asset or liability is measured assuming that market participants act in their economic best interest when pricing the asset or liability.

The fair value of non-financial asset takes into account a market participant's ability to generate economic benefits by making the biggest and best use of the asset or disposal of another market participant that would provide the greatest and best use of that asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient fair value measurement data is available, with the maximum use of relevant observable inputs and minimal use of unobservable input data.

All assets and liabilities that are measured at fair value or the fair value of which is disclosed in the financial statement are classified in a fair value hierarchy in the manner described below on the basis of the lowest level input which is essential for the fair value measurement as a whole:

- Level 1 - Quoted market prices (unadjusted) in an active market for identical assets or liabilities,

- Level 2 - valuation techniques for which the lowest level of input data that is relevant for fair value measurement as a whole is directly or indirectly observable,

- Level 3 - Valuation techniques for which the lowest level of input data that is relevant for fair value measurement as a whole is unobservable.

For each balance sheet date, in the case of assets and liabilities existing at each balance sheet date in its financial statements, The Group assesses whether the transfers between levels of the hierarchy took place through a re-evaluation of the classification of the individual levels, guided by the significance of the input data from the lowest level, which is essential for the fair value measurement as a whole.

13.5 Foreign currency translation

Transactions in foreign currencies are translated into PLN at the exchange rate applicable on the transaction date.

As at the balance sheet date, monetary assets and liabilities denominated in currencies other than PLN are translated into PLN using the exchange rate applicable at the end of the reporting period of the average exchange rate for a given currency by the National Bank of Poland. Foreign exchange differences arising from translation are recognized in the financial income (expense) or, in the case of accounting policies, capitalized in the value of assets.

Non-monetary assets and liabilities recognized at historical cost in a foreign currency are recorded at the exchange rate on the transaction date. Non-monetary assets and liabilities recognized at fair value in a foreign currency are translated at the exchange rate on the fair value measurement.

The following exchange rates were adopted for balance sheet valuation purposes:

	31 December 2016	**31 December 2015**
EUR	4,4240 PLN	4,2615 PLN

(in PLN thousand, unless otherwise stated)

EUR is a functional currency of a foreign subsidiary. As at the balance sheet date, the assets and liabilities of that subsidiary are translated into the Group's presentation currency at the rate as of the balance sheet date, while their statement of comprehensive income is translated at the average exchange rate, which is the arithmetic mean of the average exchange rates at the end of each financial month. Foreign exchange differences arising from such translation are accounted for in other comprehensive income and accumulated in a separate item of equity. At the time when the foreign entity is disposed of, the deferred foreign exchange differences accumulated in equity relating to the foreign entity are recognized in the profit and loss account.

The average exchange rates at the end of each month of the financial period were as follows:

2016		2015	
Table date	**average exchange rate**	**Table date**	**average exchange rate**
29-01-2016	4,4405	31-01-2015	4,2081
29-02-2016	4,3589	27-02-2015	4,1495
31-03-2016	4,2684	30-03-2015	4,0890
29-04-2016	4,4078	30-04-2015	4,0337
31-05-2016	4,3820	29-05-2015	4,1301
30-06-2016	4,4255	30-06-2015	4,1944
29-07-2016	4,3684	31-07-2015	4,1488
31-08-2016	4,3555	31-08-2015	4,2344
30-09-2016	4,3120	30-09-2015	4,2386
31-10-2016	4,3267	30-10-2015	4,2652
30-11-2016	4,4384	30-11-2015	4,2639
30-12-2016	4,4240	31-12-2015	4,2615
yearly average exchange rate	**4,3757**	**yearly average exchange rate**	**4,1848**

13.6 Tangible fixed assets

Tangible fixed assets are measured at cost of acquisition / production cost less accumulated depreciation and write-downs for impairment. The initial value of fixed assets comprises their purchase price increased by all costs directly related to the purchase and adjustment of the asset to its intended use. The cost also includes the cost of spare parts of machines and equipment when incurred, if the recognition criteria are met. In the case of transactions of free acquisition of fixed assets under the grant, the purchase is accounted for in accordance with IAS 20.

If a donation is an asset, its fair value is recognized in the income statement of future periods, and then gradually, through equal write-offs, it is accounted for in profit or loss for the estimated useful life of the related asset. Costs incurred after the asset was put into use, such as maintenance and repairs are charged to profit or loss when incurred.

Tangible fixed assets at the time of their acquisition are divided into components that are items of significant value for which a separate period of economic usability can be attributed. The cost of general repairs is also included.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

(in PLN thousand, unless otherwise stated)

Depreciation rates are as follows:

Type	**Rate**
Buildings and structures	2.5% - 10%
Machinery and technical equipment	7% -33.33 %
Means of transport	20% - 33.33%
Computers	33 %
Other fixed assets	10% - 50%
Leasehold improvements	10 %

The residual value, useful life and depreciation method of assets are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement for the period in which derecognition took place.

Investments relating to tangible fixed assets under construction or assembly and are recognized at purchase price or production cost, less any impairment losses. Fixed assets under construction are not depreciated until the construction and transfer of the fixed asset have been completed.

13.7 Fixed assets held for sale

Fixed assets are considered to be held for sale if their carrying amount is recovered as a result of a sale transaction rather than their continued use. This condition can be fulfilled only when the sale transaction is highly probable and the asset is available for immediate sale in its present condition.

The classification of an asset as held for sale implies that the management of the company intends to sell it within a year of the classification. Fixed assets classified as held for sale are valued at the lower of the two values:

the carrying amount or fair value less the cost of sales.

If the Group wishes to make a disposal transaction, as a result of which it loses control of its subsidiary, all assets and liabilities of that subsidiary are classified as held for sale regardless of whether the Group retains non-controlling interests after the transaction. If the Group is required to implement a plan of sale that involves the sale of investments in a joint venture or associate or a part of such investment, the investment or its portion held for sale is classified as held for sale upon fulfilment of the aforementioned criteria and the Group ceases to use the method Property rights to account for a portion of an investment classified as held for sale.

The remainder of the investment in an associate or joint venture, not classified as held for sale, is still accounted for using the equity method. The Group discontinues using the equity method at the time of disposal if the disposal transaction results in a loss of significant influence over the associate or joint venture. After the sale, the Group settles the retained earnings in accordance with IAS 39, unless such shares allow further classification of that entity as an associate or joint venture; In that case, the Group continues to apply the equity method.

13.8 Investment properties

Investment properties are recognized at acquisition or production cost, including transaction costs. After initial recognition, the value of investment properties is reduced by amortization and impairment losses.

Investment properties are removed from the balance sheet when they have been disposed of, or if the investment property has been permanently removed from use when no future gains are expected from its disposal. Any gains or losses arising from the removal of investment property from the balance sheet are recognized in profit or loss for the period in which such removal was made.

Transfers of assets to investment real estate are made only when there is a change in their use, confirmed by the termination of use of the asset by the owner or the conclusion of an operating lease. If the property occupied by the owner - the Group becomes an investment property, the Group applies the principles described in the Tangible fixed assets up to the date of change in use of the property.

13.9 Intangible assets

Intangible assets acquired or produced (in case they meet criteria of development costs) separately are measured on initial recognition at cost or manufacturing cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of tangible assets are assessed by the Group to either finite of indefinite. Intangible assets with finite lives are amortized over the useful life period and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Period and amortisation method of on intangible assets with finite lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed annually and, if necessary, corrected with effect from the beginning of the year.

Research and development costs

Research costs are expensed in the profit and loss account as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition, the historical cost model is applied, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

To sum up, the rules applicable to intangible assets of the Group are as follows:

	Patents and Licenses	Relationship with patient	Software
Useful life	For patents and licenses used under a fixed-term contract, this period shall take into account the additional period for which the use may be extended.	20 years	2 years
Depreciation method used	Amortized over the contract period	20 years- linear method	2 years- linear method
Internally generated or acquired	Acquired	Acquired	Acquired
The impairment test	Annually assessed for impairment	annually assessed for impairment	annually assessed for impairment

Any gains or losses arising on asset de-recognition (calculated as the difference between potential net income from sales and the carrying amount of the given item) are recognized in the income statement at the moment of derecognition.

13.9.1 Goodwill

Goodwill on acquisition is initially measured at cost being the surplus amount :

- of:
  (I) transferred payments,
  (II) amount of all the non-controlling interest in the acquired entity, and
  (III) in case of phased merger - over the acquirer's interest in the net fair value of the capital of the acquired entity formerly belonging to acquiring entity.
- over the net amount of acquired identifiable assets and liabilities measured at the acquisition date.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination. Each unit, or set of units, to which the goodwill has been allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, and

- be not greater than a single business segment, in accordance with the definition of IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

13.10 Leasing

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement, unless the capitalization requirements are met.

Capitalised leased assets are depreciated over the longer of the estimated useful life of the asset or the lease term.
Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.
Contingent lease charges are recognised as expenses in the period in which they become due and payable.

13.11 Impairment of non-financial fixed assets

As at each balance-sheet date, the Group assesses whether there are grounds for assuming impairment of any non-financial fixed asset. If such grounds are identified, or if it is necessary to carry out the annual test to monitor impairment, the Company estimates the recoverable value of the given asset or entity that generates cash flows to which the given asset belongs.

The recoverable value of the given asset or entity generating cash flows corresponds to fair value decreased by costs of effecting the sale of the given asset or respectively the entity generating cash flows, or its use value, depending on which one is higher. Recoverable value is calculated for particular assets, unless the given asset does not generate cash flows independently, which are mainly generated by other assets or groups of assets. If balance-sheet value of the asset is higher that its recoverable value, impairment occurs and a write-down is made up to the determined recoverable value. During estimating use value, estimated cash flows are discounted up to their current value by way of employing the discount rate before taking into account the effects of taxation reflecting current market time value estimates and the risk typical for a given asset. Write-downs related to impairment of assets used in continued activity are recognised under costs categories corresponding to the function of the asset whose impairment was established.

As at each balance-sheet date, the Group assesses whether there are grounds for assuming whether the write-down related to impairment recognised in previous periods regarding the given asset is necessary, or whether it should be reduced. If such grounds are identified, the Group estimates recoverable value of the asset. The previously recognised write-down for impairment is reversed only if a change in the applied estimated values is introduced in the period from recognition of the lastwrite-down to establishing the recoverable value of the given asset. In such cases, balance-sheet value of the asset is increased to its recoverable value. The increased amount cannot exceed the balance-sheet value of the asset which would be determined (after amortisation), if the write-down related to impairment in connection with this asset hadn't been recognised in previous years. Reversal of impairment write-downs related to asset impairment is immediately recognised as income. After write-down reversal, the write-down related to the given asset is adjusted in such a manner as to enable regular write-downs related to its verified balance-sheet value reduced by its final value in successive periods.

13.12 Borrowing costs

Borrowing costs (both general and specific) that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. one that requires significant time to prepare for the intended use or sale shall be capitalised and form part of the cost of the asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been completed complete.
Proceeds from the temporary investment of borrowed funds specifically to fund the acquisition of a qualifying asset will reduce the borrowing costs that are subject to activation.

Other borrowing costs are recognized as expenses in the period in which they were incurred.

13.13 Financial assets

Financial assets are classified into one of the following categories:
- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:
- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:
a) it is classified as held for trading. A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

b) in line with IFRS 39 was classified to this category.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as at the balance sheet date. Any change in the fair value of these instruments is taken to finance costs or finance income. When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the income statement and recorded under finance cost.

Purchase and sale of financial assets is recognised at the transaction date. Initially, financial assets are recognised at acquisition cost, i.e. at fair value plus, for financial assets other than classified as financial assets as at fair value through profit and loss, transaction costs.
Financial assets are derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

If a Group:
- currently has a legally enforceable right to set off the recognised amounts, and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, financial liability is offset and the net amount is reported in the statement of financial position.

The framework agreement as defined in IAS 32.50 does not constitute a basis for compensation unless both of the criteria described above have met.

13.14 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

13.14.1 Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance amount. The amount of the loss shall be recognised in profit or loss.
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

13.14.2 Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

13.14.3 Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between the acquisition cost (net of any principal payment and interest) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

13.15 Inventories

Inventories are valued at the lower of cost and net realisable value.
Costs incurred in bringing each inventory item to its present location and condition are accounted for As follows:
Materials - purchase price determined on a first-in, first-out basis
Goods - purchase price determined on a first-in, first-out basis

Net selling price is the selling price estimated at the balance sheet date net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

13.16 Trade and other payables

Trade receivables are valued and disclosed at amounts initially invoiced, accounting for allowances for doubtful receivables. Write-downs for receivables are evaluated when the collection of the receivables does not seem likely.
If the effect of time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a gross discount rate reflecting the current market estimates of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognized as financial income.
Advance payments are recognized in accordance with the character of underlying assets, i.e. under non-current or current assets.
Budgetary receivables are presented as other non-financial assets, except for corporate income tax receivables that are presented separately in the balance sheet.

13.17 Cash and cash equivalents

Cash and short-term deposits disclosed in the balance sheet comprise cash at banks as well as short-term deposits with original maturity of up to three months.

The cash flows balance of cash and cash equivalents consists of the above defined monetary assets and their equivalents.

13.18 Bank loans, borrowings and debt securities

All loans, borrowings and debt securities are initially recognized at the fair value less transaction costs associated with the loans or borrowings.

After the initial recognition, interest-bearing loans and debt securities are measured at amortised cost on an effective interest rate basis.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Changes in fair value of these instruments are recognised under profit or loss as financial revenues or costs.

13.19 Trade liabilities and other liabilities

Short-term trade payables are carried at the amount due and payable.

Financial liabilities valued at fair value through profit or loss include two categories: financial liabilities intended for trade and financial liabilities originally assigned to the categories valued at fair value through profit and loss. The financial liabilities are classified as intended for trading if they were acquired for sales purposes in the nearest future. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets might be first recognised under categories evaluated according to fair value by financial result, if the following criteria are met: (i) such qualification eliminates or significantly reduces incoherence within the scope of recognition or evaluation (accounting mismatch); or (ii) assets are part of the financial assets group which is managed and assessed according to fair value and documented risk management strategy; or (iii) financial assets include embedded derivatives, which should be recognised separately. Financial liabilities evaluated according to fair values by financial result are assessed according to fair value taking into account their market value as at balance-sheet date without sales transaction costs. Changes in fair value of these instruments are recognised under profit or loss as financial revenues or costs. Financial liabilities which are not financial instruments evaluated at fair value by financial result, are valuated according to amortised cost with use of effective interest rate method.

The Group may exclude a financial liability from its balance sheet, if the liability has expired, i.e. if the obligation specified in the agreement was fulfilled, annulled or expired. Replacing the previous debt instrument by an instrument based on significantly different conditions made between the same entities is recognised by the Group as expiry of the initial financial obligation and recognition of a new financial liability. Similarly, significant modification of agreement terms regarding the existing financial liability is recognised by the Group as expiry of the initial and inclusion of the new financial liability. The changes resulting from such operations in balance-sheet values are recognised under profit or loss. Other non-financial liabilities include especially liabilities towards the Tax Office on account of taxes on goods and services and liabilities on account of received advance payments, which will be settled by the supplier of goods, services or fixed assets. Other non-financial liabilities are reported under the unpaid amount.

13.20 Provisions

Provisions are made when the Group has the obligation (legal or customary) resulting from previous events, and when it is likely that fulfilling this obligation shall result in economic benefit outflow, and when it is possible to reliably evaluate the liability amount. If the Group expects that the costs included in the provisions will be returned, e.g. under the insurance agreement, then the return is reported as separate asset, but only if it is certain that the return will be made. Amounts connected with the given provision are reported in the income statement after being decreased by all returns.

If the cash flow value is significant, provisions value is established by discounting expected future cash flows to current value, by using the discount rate reflecting current market time value estimates and possible risk connected with the given liability. If the discounting method is employed, increasing time value provisions is recognised as financial costs.

13.21 Pension-related severance payments and jubilee rewards

In accordance with company remuneration systems, the employees of the Group have the right to jubilee awards and retirement gratuities. Jubilee awards are paid out to employees after they have worked for a certain number of years. Retirement gratuities are paid out once upon employees' retirement. The amount of jubilee awards and retirement gratuities depends on employment time and average employee remuneration. The Group creates provisions for future liabilities on account of retirement gratuities and jubilee awards in order to ascribe costs to the periods with which they are connected. According to IAS 19, jubilee awards are other long-term employment benefits, whereas retirement gratuities are programmes of particular postemployment benefits. The carrying value of these liabilities as at each balance-sheet date is calculated by an independent pensions actuary. The calculated liabilities are equal to discounted payments, which will be made in the future, including employment mobility and referring to the period until the balance-sheet date Demographical information and information on employment mobility are based on historical data. Profits and losses on actuary calculations are recognised under profit or loss.

13.22 Revenues

Revenues are recognised in the amount which is likely to reflect the economic benefits obtained by the Group from the given transaction, and when the revenues amount can be evaluated in a reliable way. Revenues are recognised at fair value of received or due payment, after deducting VAT tax and discounts. In addition, the following criteria apply to the recognition of revenue.

13.22.1 Sales of products and goods

Revenues are recognised, if the significant risks and benefits resulting from ownership rights to goods and products were transferred to the buyer and when the revenues amount may be evaluated in a reliable way.

13.22.2 Provision of services

Revenues from services rendered are recognized at the time of execution by the price resulting from the agreement or contract.

In case of medical service that exceed the contract with the National Health Fund (i.e. the so-called over-performance) the value of overpayment, calculated at the rates defined by the NHF product catalogue, is recognized in the sales income.

Doubtful receivables arising there from create revaluation write-offs, reducing the value of the calculated income.

13.22.3 Interest

Revenues on account of interest are recognised successively in the course of their calculation (including the effective interest rate method, constituting the discounting rate for future financial revenues by estimated financial instrument lifetime) in relation to the net balance-sheet value of the given financial asset.

13.22.4 Dividends

Dividends are reported as at the moment of establishing shareholders' rights to their reception.

13.22.5 Revenue from rental

Revenue from rental of investment real estate is stated on a straight-line basis within the rental period with regard to the contracts in progress.

13.22.6 Government grants

The government grants are recognized at fair value if there is reasonable assurance that the grant will be obtained and the entity will comply with the conditions attached to it.

If the grant relates to an expenditure, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate. If the grant concerns assets, its fair value is recognized as deferred income and on a systematic basis recorded in the profit and loss over the estimated useful life of the underlying asset.

13.23 Taxes

13.23.1 Current tax

Liabilities and receivables due to current tax for the current and previous periods are evaluated at the amounts of expected payments made to tax offices (subject to returns from tax offices) according to tax rates and legal provisions on taxation, which were already binding as at the balance-sheet date.

13.23.2 Deferred Tax

For the needs of financial reporting, deferred tax is calculated by balance liability method in relation to temporary differences occurring as at the balance-sheet date between the asset and liability tax value and their balance-sheet value reported in the financial statements.

Provision for deferred tax is recognised in reference to all positive temporary differences:

- Except for situation, where the provision for deferred tax results from initial recognition of goodwill or initial recognition or an asset or liability connected with a transaction not constituting entity merger, and which at the moment of its conclusion does not influence neither the gross financial result, nor taxable income or tax loss, and
- In the case of positive temporary differences resulting from investment in subsidiaries or associates and shares in joint ventures—except for situations where dates of reversal of temporary differences are subject to investor control and it is likely that in the predictable future temporary differences shall not be reversed.

Assets on account of deferred tax are recognised in relation to negative temporary differences, and unused tax loss transferred to future years, in the amount in which it is likely that taxable income will be generated and will allow for the use of the a/m differences, assets and loss:

- Except for situation, where the assets on account of deferred tax connected with negative temporary differences result from initial recognition of an asset or liability related to a transaction not constituting entity merger, and which at the moment of its conclusion does not influence neither the gross financial result, nor taxable income or tax loss, and
- In the case of negative differences resulting from investment in subsidiaries or associates and shares in joint ventures—the asset on account of deferred tax is recognised in the balance sheet only in the amount in which it is likely that predictable temporary differences shall be reversed and that profit allowing deduction of negative temporary differences will be generated.

Balance-sheet value of the asset on account of deferred tax is verified as at the balance-sheet date and is reduced by the amount reflecting the decrease in likelihood of generating taxable income allowing for partial or total realisation of the asset on account of deferred income tax. The unrecognised asset on account of deferred income tax is subject to relevant assessment as at each balance-sheet date and is recognised up to the amount reflecting the likelihood of generating taxable income allowing for recovering the asset on account of deferred tax.

Assets on account of deferred income tax and provisions for deferred tax are evaluated by tax rates, which are expected to be binding in the period in which the asset will be realised or the provision dissolved, assuming the tax rates (and legal provisions) binding as at the balance-sheet date or rates which will be binding as at the balance-sheet date as basis.

Income tax on items recognised beyond profit or loss is reported beyond profit and loss: Under total other revenues regarding items reported in total other revenues or directly under equity regarding items reported indirectly under equity.

The group compensates assets on account of deferred income tax with provisions on account of deferred income tax only if it has a legal basis for carrying out receivables compensation with liabilities on account of current tax, and deferred tax is connected with the same taxpayer and tax office.

13.23.3 Value Added Tax

Revenues, costs, assets and liabilities are reported after deducting the tax on goods and services, except for:

• When the tax paid upon asset or service purchase is impossible to be recovered from tax offices; when they are reported respectively as part of the asset purchase price or as part of the cost item, and
• liabilities and receivables, which are reported with the tax on goods and services.

The recoverable or due net amount of the tax on goods and services payable to tax offices is recognised in the balance sheet/statement on financial condition under liabilities or receivables.

13.24 Net profit per share

Net profit per one share for each period is calculated by dividing the net profit for the given period by average weighted number of shares within the given reporting period.
There are no potential dilutive ordinary shares.

(in PLN thousand, unless otherwise stated)

13.25 Operating segments

Operating segments are presented consistently with internal reporting supplied to the Key Operating Body.

the Key Operating Body responsible for allocating resources and evaluating the performance of operating segments has been identified as a steering committee that makes strategic decisions.

A at 01.01.2016 - 31.12.2016	Hospital care	Out-Patient care	Pharmacy	Clinical tests	TOTAL
Total income of the segment, including:	**236 014**	**39 128**	**1 941**	**401**	**277 484**
Total costs of the segment, including:	**246 655**	**37 885**	**2 059**	**777**	**287 377**
Amortization and depreciation	12 445	1 770	36	8	14 258
Operating profit	**(6 763)**	**808**	**(329)**	**(381)**	**(6 664)**
EBITDA	5 680	2 579	(293)	(373)	7 594
Revenues / net financial expenses	(2 948)	258	(48)	(10)	(2 748)
Credit / charge to income tax	1 328	452	1	-	1 781
Profit/ Loss	**(11 039)**	**614**	**(378)**	**(391)**	**(11 193)**
Segment Assets	**241 470**	**46 483**	**143**	**92**	**288 188**
Segment Assets	**131 546**	**13 844**	**806**	**116**	**146 312**

** EBITDA, defined as operating profit / loss adjusted for depreciation*

As at 01.01.2015 - 31.12.2015	Hospital care	Out-Patient care	Pharmacy	Clinical tests	TOTAL
Total income of the segment, including:	**227 592**	**27 610**	**2 351**	**517**	**258 070**
Sale for external customers	227 592	27 610	2 351	517	258 070
Total costs of the segment, including:	**238 337**	**22 474**	**2 656**	**448**	**263 915**
Amortization and depreciation	11 951	1 144	37	8	13 141
Operating profit	**(2 314)**	**670**	**(262)**	**78**	**(1 827)**
EBITDA	9 636	1 815	(225)	86	11 314
Revenues / net financial expenses	(1 638)	(346)	(53)	(12)	(2 049)
Credit / charge to income tax	440	161	(41)	(9)	551
Profit/ Loss	**(4 392)**	**163**	**(274)**	**75**	**(4 427)**
Segment Assets	235 784	15 980	476	138	**252 378**
Segment Assets	**91 995**	**7 268**	**321**	**(78)**	**99 505**

** EBITDA, defined as operating profit / loss adjusted for depreciation, for the purpose of calculating bank covenants, so calculated EBITDA is adjusted for one-off events.*

(in PLN thousand, unless otherwise stated)

14. REVENUES AND EXPENSES

14.1 Sales revenue

Item	As at			
	I-XII 2016		**I-XII 2015**	
The NHF	240 719	86,75%	223 724	86,69%
Paying patients	28 366	10,22%	26 359	10,21%
Insurance companies	2 798	1,01%	2 352	0,91%
Other revenue, including:	5 601	2,02%	5 635	2,18%
Sale of goods and materials	*2 883*	*1,04%*	*2 380*	*0,92%*
Rent	*1 838*	*0,66%*	*1 679*	*0,65%*
Total	**277 484**	**100,00%**	**258 070**	**100,00%**

14.2 Other operating revenues

Other operating revenues	The year ended	
	31 December 2016	**31 December 2015**
Profit from the sale of fixed assets	98	20
Grants	794	192
Released provisions	445	199
Donations	234	221
Inventory surpluses	97	2
Past-due / written-off liabilities	3	1 433*
Compensation received, return of penalties	234	101
Refunds from the Ministry of Health, Labour Office, etc.	1 897	1 649
PFRON Refund	428	461
Fixed assets received free of charge	487	445
ZUS overpayment	28	8
Annual VAT adjustment	45	16
PIT tax refund	9	7
Rental payment received in advance	34	-
Redemption of property tax	-	72
Others	159	123
Total	**4 992**	**4 949**

* In December 2015, an out-of-court settlement agreement was signed with Cadolto Polska Sp. z o.o., as a result of which the contractor waived claims in the amount of PLN 1,345 thousand.

(in PLN thousand, unless otherwise stated)

14.3 Other operating costs

Other operating costs	The year ended	
	31 December 2016	31 December 2015
Loss on disposal of property, plant and equipment	(3)	7
Revaluation of receivables	99	159
Other operating expenses, including:	1 667	765
Provisions for liabilities	723	408
Compensations, penalties	201	102
Written receivables	162	11
Written outdated medicines	33	14
Donations	12	-
Cost of liquidation of fixed assets	91	17
Inventory shortages	91	2
Abandoned investments	-	27
Cost of litigation and enforcement of liabilities	170	124
Others	184	60
Total	**1 763**	**931**

14.4 Financial revenues

Financial revenues	The year ended	
	31 December 2016	31 December 2015
Surplus of positive exchange rates over negative	2	51
Interest	44	280
Reversal of valuation of a liability in relation to redemption	256	-
Others	7	3
Total	**309**	**334**

14.5 Financial costs

Financial costs	The year ended	
	31 December 2016	31 December 2015
Interest on loans and borrowings	2 186	1 546
Other interest	54	80
Commissions on loans and leasing	89	91
WSE operating costs	83	76
The surplus of foreign exchange losses over gains	4	-
Interest on bonds	-	169
Commission fee for early repayment of bonds	-	35
Interest on leasing	196	166
Discounts on loans and bonds	132	103
Other financial expenses	313	117
Total	**3 057**	**2 383**

(in PLN thousand, unless otherwise stated)

14.6 Employee benefits costs

Employee benefits costs	The year ended	
	31 December 2016	31 December 2015
Remuneration	98 243	90 199
Social security costs	16 947	15 441
Retirement benefit costs	640	660
Other employee benefit costs	1 452	1 069
Employee benefits costs, including:	**117 282**	**107 369**

15. INCOME TAX

15.1 Tax burdens

The main components of tax burdens for the year ended 31st December 2016 and 31 December 2015 are as follows:

	The year ended	
	31 December 2016	31 December 2015
Income tax reported in income statement		
Current income tax		
Current burdening due to income tax	621	275
Adjustments to current income tax from previous years	(89)	(1 446)
Connected with creating and turning temporary differences	1 249	1 722
Income tax recognised in the income statement	1 781	551

15.2 Settlement of effective tax rate

The income tax on the gross financial result before tax according to statutory tax rate, with income tax calculated according to the Group's effective tax rate for the year ended on 31 December 2016 and 31 December 2015 is as follows:

	The year ended	
	31 December 2016	31 December 2015
Gross loss before tax, ongoing activity	(9 412)	(3 876)
Gross loss before tax	(9 412)	(3 876)
Statutory income tax rate in Poland of 19%	(1 788)	(736)
Release of assets from previous years	156	1 224
Release of reserves from previous years	(14)	-
Correction of CIT tax for previous years	(83)	(1 446)
Unrecognized tax losses	2 798	1 167
Use of previously unrecognized tax losses	(82)	-
Costs that are not tax deductible	553	493
Income that is not a taxable income	241	(165)
Provisions connected with consolidation adjustments	-	(4)
Other	-	18
Tax at an effective tax rate -19% (for the year ended 31 December 2015: 14%)	1 781	551
Income tax (charge) disclosed in the income statement	1 781	551

(in PLN thousand, unless otherwise stated)

Tax losses that have been generated by Group companies that have not been included in the balance sheet of deferred tax assets will have expired by the end of:

- 2017 -PLN 2,706 thousand,
- 2018 -PLN 193 thousand,
- 2019 -PLN 5,475 thousand,
- 2020 -PLN 5,382 thousand,
- 2021 -PLN 13,246 thousand.

15.3 Deferred income tax

Deferred income tax stems from the following items:

Item	Assets due to deferred tax	Balance sheet		Profit and loss account		Comprehensive income statement	
		31 December 2016	31 December 2015	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
1.	Surplus services write-downs	2 032	1 979	(53)	185	-	-
2.	ZUS contributions unpaid	816	505	(311)	(88)	-	-
3.	Valuation of assets contribution	806	806	-	-	-	-
4.	Interest on current liabilities	-	-	-	10	-	-
5.	Provision for retirement and similar retirement benefits	1 438	1 660	172	81	47	37
6.	Interest on bonds	-	-	-	31	-	-
7.	Interest on loans	19	12	(7)	(9)	-	-
8.	Write downs of receivables	74	79	5	(21)	-	-
9.	Tax losses	81	114	33	1 141	-	-
10.	Court affairs	199	311	112	(26)	-	-
11.	Overdue liabilities	-	396	396	(189)	-	-
12.	Fixed assets received free of charge	307	351	44	(2)	-	-
13.	Social Benefits Fund Write-off not covered by a cash contribution	21	31	10	(23)	-	-
14.	Provision for liabilities	40	220	180	176	-	-
15.	Excess tax depreciation on the balance	326	318	(8)	(68)	-	-
16.	Rent for the property lease received in advance	69	86	17	19	-	-
17.	Other	10	13	3	30	-	-
	Total gross assets	**6 238**	**6 881**	**596**	**1 247**	**47**	**37**
	Total net assets	**2 481**	**3 564**	**4 353**	**4 564**	**47**	**37**

(in PLN thousand, unless otherwise stated)

Item	Provisions due to deferred tax	Balance sheet		Profit and loss account		Comprehensive income statement	
		31 December 2016	31 December 2015	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
1.	Interest on loans	22	6	16	6	-	-
2.	Excess of tax depreciation over balance	2 377	2 004	373	25	-	-
3	Receivables due to surplus services	2 091	1 743	348	448	-	-
4.	Valuation of loans	-	26	(26)	-	-	-
5.	Valuation of relationship with patients	1 199	396	(31)	(15)	-	-
6.	Bond valuation	-	-	-	(20)	-	-
7.	Borrowing costs	113	113	-	-	-	-
8.	Other provisions	18	45	(27)	31	-	-
	Total gross provisions	**5 820**	**4 333**	**653**	**475**	**-**	**-**
	Total net provisions	**2 063**	**1 016**	**(3 104)**	**(2 842)**	**-**	**-**
	Deferred tax in the income statement			**1 249**	**1 722**	**47**	**37**

	2016	2015
Assets due to deferred income tax:		
- due after 12 months	4 659	4 855
- due by the end of 12 months	1 579	2 026
Total Nett Assets	**6 238**	**6 881**
Deferred income tax provisions:		
- due after 12 months	5 784	4 259
- due by the end of 12 months	36	74
Total Gross Provisions	**5 820**	**4 333**

Deferred tax assets and liabilities are net at the Group level.
Changes in deferred tax assets and liabilities decreased the Group's financial result for 2016 by PLN 1,249 thousand.
Changes in the balance of assets and provisions that do not affect the financial result amount to PLN 78 thousand and provisions of PLN 64 thousand arose from the purchase of subsidiaries NZOZ Zawidawie Sp. z o.o, CM Medyk Sp. z o.o., Q-Med. Sp. z o.o.

16. SOCIAL ASSETS AND SOCIAL FUND LIABILITIES

The Act of 4 March 1994 on the Company Social Fund, as amended, states that the Company Social Fund is constituted by employers who permanently employ over 20 employees. Some Companies within the Group establish such a fund and make periodic provision based on the basic provision. The aim of the Fund is to finance social activity, loans granted to employees and other social costs.

The Group compensated the assets of the Fund with its liabilities towards the Fund, because the assets are not the Company’s separate assets. Therefore the net balance as at 31 December 2016 amounts to PLN 266 thousand (as at 31 December 2015 PLN 262 thousand accordingly).

(in PLN thousand, unless otherwise stated)

17. PROFIT PER SHARE

Basic profit per one share is calculated by dividing the net profit for the period for ordinary shareholders of the parent company by average weighted number of issued ordinary shares within the period.
Diluted earnings per share is analogous to the basic earnings, as there are no dilutive potential ordinary shares.

Data related to profit and shares that were used for calculating basic profit per share are presented below:

	The year ended	
Net profit (loss) per share	**31 December 2016**	**31 December 2015**
Net profit / loss attributable to equity holders of the parent company	(11 142)	(4 498)
Average weighted number of shares	13 285 346	12 901 383
Profit/Loss per share in PLN	(0,8387)	(0,3486)
- diluted profit / loss attributable to equity holders of the parent company in PLN	(0,8387)	(0,3486)

In the period between the balance-sheet date and the date of drawing up this financial statement there were no transactions which would relate to ordinary shares or potential ordinary shares.

18. DIVIDENDS PAID AND DECLARED

Dividend on ordinary shares for the year ended 31 December 2016 was not paid.

(in PLN thousand, unless otherwise stated)

19. INTANGIBLE ASSETS

For the year ended 31 December 2016

Item	Specification	Goodwill	Relationship with patients	Concessions, patents, licenses Acquired and others		Total intangible assets
				Total	Including computer software	
I	Gross value of assets at the beginning of the period	4 403	2 400	5 533	3 115	12 336
1.	Increases due to:	19 406	4 391	1 281	1 266	25 078
a)	purchase	-	-	323	274	323
b)	acquisition of a subsidiary	19 406	4 391	904	904	24 701
c)	reclassifications	-	-	23	61	23
d)	Other corrections	-	-	31	27	31
2.	Decrease	-	-	380	380	380
II.	Gross value of intangible assets at the end of the period	23 809	6 791	6 434	4 001	37 034
III.	Cumulative depreciation (amortization) at the beginning of the period	-	480	2 323	2 002	2 803
1.	Amortization for the period including:	-	171	929	889	1 100
a)	Current depreciation - increase	-	171	966	959	1 137
b)	Redemption-reduction-sale and liquidation	-	-	40	40	40
a)	Redemption-reduction-other	-	-	(3)	30	(3)
IV.	Cumulative depreciation (amortization) at the end of the period	-	651	3 252	2 891	3 903
V.	Impairment losses at the beginning of the period	-	-	-	-	-
VI.	Impairment losses at the end of the period	-	-	-	-	-
VII.	**Net value of intangible assets at the end of the period**	**23 809**	**6 140**	**3 182**	**1 110**	**33 131**

During the 12 months ended 31 December 2016, the Issuer acquired shares in NZOZ Zawidawie Sp. Z oo, CM Medyk Sp. z o.o., Q-Med. Sp. z o.o. (Disclosed in note 5). As a result of the transaction, the Group's intangible assets increased by PLN 24,701 thousand, including:

• value of recognized relationships with patients PLN 4,391 thousand,

• goodwill of PLN 19,406 thousand

• other intangible assets of PLN 904 thousand

The recoverable amount of all cash generating units was determined on the basis of the value in use calculations. These calculations use pre-tax cash flow projections adopted in five-year financial budgets approved by the Board. Cash flows that go beyond the five-year period are extrapolated using the estimated growth rates shown below. Growth does not outweigh the long-term average growth rate for the healthcare industry where the cash-generating unit operates. The main assumptions as presents below include the long-term growth rate and the discount rate used in calculating the value in use of each cash-generating unit to which a significant amount of goodwill has been allocated. In addition, cash-generating units for which an impairment loss is recognized also include recoverable amounts.

(in PLN thousand, unless otherwise stated)

The following are the key assumptions used in the impairment tests:

- long-term revenue growth rate 2.50%
- gross margin 7%
- capital expenditures up to depreciation
- discount rate 10%
- change in working capital 0

For the year ended 31 December 2015

Item	Specification	Goodwill	Relationship with patients	Concessions, patents, licenses Acquired and others		Total intangible assets
				Total	Including computer software	
I	Gross value of assets at the beginning of the period	4 403	2 400	3 161	759	9 964
1.	Increases due to:	-	-	2 372	2 356	2 372
a)	Purchase	-	-	1 340	1 324	1 340
b)	Reclassifications	-	-	1 032	1 032	1 032
2.	Decrease	-	-	-	-	-
II.	Gross value of intangible assets at the end of the period	4 403	2 400	5 533	3 115	12 336
III.	Cumulative depreciation (amortization) at the beginning of the period	-	400	1 796	1 475	2 196
1.	Amortization for the period including:	-	80	527	527	607
a)	Current depreciation - increase	-	80	528	528	608
b)	Redemption-reduction-other	-	-	1	1	1
IV.	Cumulative depreciation (amortization) at the end of the period	-	480	2 323	2 002	2 803
V.	Impairment losses at the beginning of the period	-	-	-	-	-
VI.	Impairment losses at the end of the period	-	-	-	-	-
VII.	**Net value of intangible assets at the end of the period**	**4 403**	**1 920**	**3 210**	**1 113**	**9 533**

A description of the goodwill impairment tests has been presented in note 24.

(in PLN thousand, unless otherwise stated)

20. TANGIBLE FIXED ASSTETS

For the year ended 31 December 2016

Item	Specification	Land (including the right of perpetual usufruct)	Buildings ,premises and public buildings	Technical devices and machinery	Means of transport	Other tangible fixed assets	Fixed assets under construction	Advances for Fixed assets under construction	Total fixed assets
I.	Gross value of assets at the beginning of the period	13 412	148 704	13 137	1 262	55 499	14 602	-	246 616
1.	Increases due to:	-	13 688	1 301	651	6 339	32 142	112	54 233
a)	Purchase including:	-	234	501	647	5 451	27 684	112	34 629
	acquisition of a subsidiary(note no 5)	-	227	-	195	1 389	14	-	1 825
b)	Transfers	-	13 223	448	-	835	-	-	14 506
c)	Reclassifications	-	177	341	-	2	4 458	-	4 978
d)	Other	-	54	11	4	51	-	-	120
2.	Decreases due to:	-	4 506	246	272	1 545	14 765	17	21 351
a)	Sale and liquidation	-	48	239	268	1 531	47	-	2 133
b)	Transfers	-	-	-	-	-	14 489	17	14 506
c)	reclassifications	-	4 458	-	-	-	202	-	4 660
d)	other	-	-	7	4	14	27	-	52
II.	Gross value at the end of the period	13 412	157 886	14 192	1 641	60 293	31 979	95	279 498
III.	Cumulative depreciation (amortization) at the beginning of the period	-	21 400	6 917	663	33 723	-	-	62 703
1.	Depreciation for the period	-	4 722	1 353	(45)	5 136	-	-	11 166
a)	Current depreciation - increase	-	4 692	1 559	223	6 620	-	-	13 094
b)	Current depreciation – increase -other	-	-	-	-	-	-	-	-
c)	Redemption-reduction	-	6	209	268	1 515	-	-	1 998
d)	Redemption-reduction-other	-	2	6	4	10	-	-	22
e)	Corrections	-	38	9	4	41	-	-	92
IV.	Cumulative depreciation (amortization) at the end of the period	-	26 122	8 270	618	38 859	-	-	73 869
	Impairment losses at the beginning of the period								
V.	Impairment losses at the beginning of the period	-	68	-	-	-	-	-	68
VI.	Impairment losses at the end of the period	-	68	-	-	-	-	-	68
VII.	**Net value at the end of the period**	**13 412**	**131 696**	**5 922**	**1 023**	**21 434**	**31 979**	**95**	**205 561**

(in PLN thousand, unless otherwise stated)

For the year ended 31 December 2015

Item	Specification	Land (including the right of perpetual usufruct)	Buildings ,premises and public buildings	Technical devices and machinery	Means of transport	Other tangible fixed assets	Fixed assets under construction	Advances for Fixed assets under construction	Total fixed assets
I.	Gross value of assets at the beginning of the period	13 396	141 413	11 068	1 356	50 071	12 402	83	229 789
1.	Increases due to:	16	7 302	2 185	289	6 298	13 613	20	29 723
a)	Acquisition	16	144	659	289	4 593	13 333	20	19 054
b)	Transfers	-	7 158	1 525	-	1 705	62	-	10 450
c)	Other	-	-	1	-	-	218	-	219
2.	Decreases due to:	-	11	116	383	870	11 413	103	12 896
a)	Sale and liquidation	-	11	115	383	868			1 377
b)	Transfers	-	-	-	-	-	10 347	103	10 450
c)	Other	-	-	1	-	2	1 066	-	1 069
II.	Gross value at the end of the period	13 412	148 704	13 137	1 262	55 499	14 602	-	246 616
III.	Cumulative depreciation (amortization) at the beginning of the period	-	16 936	5 746	906	27 958	-	-	51 546
1.	Depreciation for the period due to	-	4 464	1 171	(243)	5 765	-	-	11 157
a)	Current depreciation - increase	-	4 467	1 285	140	6 614	-	-	12 506
b)	Redemption-reduction	-	6	115	383	851			1 355
c)	Corrections	-	3	1	-	2	-	-	6
IV.	Cumulative depreciation (amortization) at the end of the period	-	21 400	6 917	663	33 723	-	-	62 703
V.	Impairment losses at the beginning of the period	-	68	-	-	-	-	-	68
VI.	Impairment losses at the end of the period	-	68	-	-	-	-	-	68
VII.	**Net value at the end of the period**	**13 412**	**127 236**	**6 220**	**599**	**21 776**	**14 602**	**-**	**183 845**

As at 31 December 2016, fixed assets with a net value of PLN 5,534 thousand were used on the basis of finance lease agreements (as at 31st December 2015 PLN 6,165 thousand respectively).

The costs of servicing liabilities incurred to finance fixed assets under construction, which were included in production cost (purchase price) in the current financial year amounted to PLN 236 thousand (PLN 154 thousand in 2015 respectively).

Information on fixed assets subject to mortgage was disclosed in note 34.

In addition, as at 31December 2016 and 31 December 2015, the Group used fixed assets under rental and lease agreements.

21. LEASING

21.1 Operating lease liabilities - the Group as a lessee

As at 31 December 2016 and 31 December 2015, the Group did not have liabilities under operating lease.

(in PLN thousand, unless otherwise stated)

21.2 Liabilities due to financial lease agreements and lease agreements with purchase option

As at 31 December 2016 and as at 31 December 2015 future minimal leasing fees under these agreements and current value of net leasing fees were as follows:

	31 December 2016		31 December 2015	
	Minimum payments	Current payments	Minimum payments	Current payments
Payable in the period of 1 year	2 257	2 074	2 131	1 934
Payable from 1 to 5 years	2 761	2 657	3 090	2 953
Payable over 5 years	-	-	-	-
Total minimum lease payments	5 018	4 731	5 221	4 887
Less financial costs	287	-	334	
Current minimum lease payments, including	4 731	4 731	4 887	4 887
Short-term	2 074	2 074	-	1 934
Long-term	2 657	2 657	-	2 953

The value of new financial lease agreements concluded in 2016 amounted to PLN 2,325,000 as a result medical equipment and supplies have been provided.

22. INVESTMENT REAL PROPERTY

For the year ended 3 December 2016

Item	Specification	Investment real property
I.	Gross value at the beginning of the period	**973**
1.	Increases	-
2.	Decreases	-
II.	Gross value at the end of the period	**973**
III.	depreciation at the beginning of the period	66
1.	Depreciation for the period	27
a)	Current depreciation - increase	27
IV.	depreciation at the end of the period	93
V.	Net value at the end of the period	**880**

(in PLN thousand, unless otherwise stated)

For the year ended 31 December 2016

Item	Specification	Investment real property
I.	Gross value at the beginning of the period	**973**
1.	Increases	-
2.	Decreases	-
II.	Gross value at the end of the period	**973**
III.	depreciation at the beginning of the period	39
1.	Depreciation for the period	27
a)	Current depreciation - increase	27
IV.	depreciation at the end of the period	66
V.	Net value at the end of the period	**907**

Investment properties are measured at acquisition cost or manufacturing cost, taking into account transaction costs as described in paragraph 13.8.

23.INVESTMENTS IN ASSOCIATES AND JOINT VENTURES VALUED BY THE EQUITY METHOD

As at 31 December 2016 and 31 December 2015, there were no investments in associates that were accounted for using the equity method.

24. MERGES AND ACQUISITIONS OF NON-CONTROLLING SHARES

The carrying amount of goodwill arising from acquisition of the following units:

Company	As at	
	31 December 2016	31 December 2015
Lubmed Sp. z o.o.	94	94
Mikulicz Sp. z o.o.	37	37
ZP Formica Sp. z o.o.	935	935
Silesia Med Serwis Sp. z o.o.	85	85
Regionalne Centrum Zdrowia Sp. z o.o.	3 252	3 252
NZOZ Zawidawie Sp. z o.o.	12 193	-
CM Medyk Sp. z o.o.	1 212	-
Q-Med. Sp. z o.o.	6 001	-
Total	**23 809**	**4 403**

(in PLN thousand, unless otherwise stated)

	For the period of 12 months ended	
	31 December 2016	31 December 2015
Goodwill at the end of the period	4 403	4 403
Increases in Goodwill due to acquisition of companies:		
NZOZ Zawidawie Sp. z o.o.	12 193	
CM Medyk Sp. z o.o.	1 212	
Q-Med. Sp. z o.o.	6 001	
Total carrying amount at the end of the period	**23 809**	**4 403**

In 2016, as a result of taking over NZOZ Zawidawie Sp. z oo, CM Medyk Sp. z o.o., Q-Med. Sp. z o.o. (disclosed in Note 5),the goodwill of PLN 19,406 thousand was created.

Goodwill, arising from the acquisition of shares in subsidiaries, was allocated to eight cash generating units ("CGS") as indicated in the table above.

As at the acquisition date, goodwill is allocated to each cash-generating entity which may benefit from merger synergy. Each entity or group of entities to which goodwill has been allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than one operating segment specified under IFRS 8 Operating Segments.

As at 31 December 2016, the Group performed a impairment test for each of the CGUs.

The recoverable amount was determined on the basis of the calculation of the value in use using the discounted cash flow method. Value-in-use calculations were made on the basis of an analysis of forecast cash flows based on the budget assumptions for the forthcoming year and an approved 5-year business plan by the CGP.

Value in use is sensitive to changes in the level of gross margin, the level of growth rates for the residual period and a discount rate. In the case of the estimation of the usable value of the CGUs tested, management believes that no potential change to any of the key assumptions hat have been set out above will result in the carrying amount of the CGU significantly exceeding its recoverable amount.

Based on the results obtained, the Group did not recognize a revaluation write off of the components in relation to the goodwill tested.

25. INVESTMENTS IN ASSOCIATED ENTITIES

The Group has no investments in the associated entity:

26. FINANCIAL ASSETS HELD FOR SALE

The Group has no financial assets held for sale.

27. EMPLOYEE BENEFITS

27.1 Employee share purchase plans

The Group does not have any employee share programmes.

27.2 Retirement benefits and other employee benefits, including post-employment benefits

Under the Group’s remuneration plans, employees of certain companies of the Group are entitled to jubilee bonuses while all employees are entitled to retirement benefits. Jubilee awards are paid to employees after a specified number of years. Retirement benefits are one-off payments made upon retirement. The amount of retirement benefits and jubilee bonuses depends on the length of service and an employee’s average salary.

(in PLN thousand, unless otherwise stated)

Main assumptions adopted by the actuary as at the balance-sheet date for calculating the amount of provisions for employee benefits are as follows:

	31 December 2016	31 December 2015
Discount rate (%)	3,59	2,94
Average weighted ratio of employee mobility (%)		
Permanent contracts	3,1 - 8,7	3,2 - 7,2
Contracts for specified period	3,1 - 16,2	3,2 - 16,7
Expected remuneration increase rate (%)	0,1 – 1,5	0,5 - 2,5

ITEM/BENEFIT	retirement benefit	Jubilee award	Unused holiday
Current liability as of 1 January 2016	2 129	3 788	2 821
Acquisition of a new entity (Note no 5)	72	-	346
Current employment costs	173	260	(722)
Net interest on net liabilities	58	105	
Actuarial gains or losses	(239)	(200)	
Past employment costs	556	(852)	
benefits paid	(116)	(492)	
Current liability as of 31 December 2016	**2 633**	**2 609**	**2 445**
Including:			
Short-term	562	470	2 445
Long-term	2 071	2 139	

ITEM/BENEFIT	retirement benefit	Jubilee award	Unused holiday
Current liability as of 1 January 2015	2 237	4 005	3 106
Current employment costs	175	307	(285)
Net interest on net liabilities	53	94	-
Actuarial gains or losses	(195)	(102)	-
Past employment costs	(141)	(516)	-
Current liability as of 31 December 2015	**2 129**	**3 788**	**2 821**
Including:			
Short-term	190	463	2 821
Long-term	1 939	3 325	-

The amounts of provisions and the reconciliation showing the changes in the period have been outlined in point 35.1of the table.

Sensitivity analysis

Provision for pensions

1 percentage point change in the adopted discount rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	(138)	(138)
	-1%	157	157
the year ended 31 December 2015, in PLN thousand	+1%	(167)	(167)
	-1%	192	192

1 percentage point change in the rotation rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	(44)	(44)
	-1%	54	54
the year ended 31 December 2015, in PLN thousand	+1%	(60)	(60)
	-1%	66	66

1 percentage point change in wage growth rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	157	157
	-1%	(106)	(106)
the year ended 31 December 2015, in PLN thousand	+1%	193	193
	-1%	(167)	(167)

Provision for jubilee awards

1 percentage point change in the adopted discount rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	(123)	(123)
	-1%	137	137
the year ended 31 December 2015, in PLN thousand	+1%	(221)	(221)
	-1%	247	247

1 percentage point change in the rotation rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	(79)	(79)
	-1%	87	87
the year ended 31 December 2015, in PLN thousand	+1%	(146)	(146)
	-1%	160	160

1 percentage point change in wage growth rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on a defined benefit obligation
the year ended 31 December 2016, in PLN thousand	+1%	135	135
	-1%	(86)	(86)
the year ended 31 December 2015, in PLN thousand	+1%	246	246
	-1%	(225)	(225)

Pension costs (current employment costs) have been disclosed in Note no 14.6 hereof.

28.INVENTORIES

Inventories	As at	
	31 December 2016	31 December 2015
Materials	3 123	2 756
Goods	-	190
Advances for deliveries	1	7
Total	**3 124**	**2 953**

Neither in the year ended 31 December 2016 nor in the year ended 31 December 2015 did the Group create revaluation allowances for inventories.

Neither in the year ended 31 December 2016 nor in the year ended 31 December 2015 did the Group reverse revaluation write-downs on inventories.

No category of inventories was a security for loans or borrowings in the year ended December 31, 2016 or in the year ended December 31, 2015. As at 31 December 2016 and 31 December 2015 there were no inventories valued at net selling price.

29.TRADE RECEIVABLES, OTHER RECEIVABLES AND RECEIVABLES FROM INCOME TAX

Trade receivables, other receivables and receivables from income tax	As at	
	31 December 2016	31 December 2015
Due to trade and service	42 022	39 250
Due to tax, subsidy, customs, social security, including:	449	737
- due to VAT	259	345
- due to CIT	108	332
- other	82	60
Other	870	519
Pursued in court	172	-
Total short-term gross receivables	**43 513**	**40 506**
Impairment losses on receivables	**12 259**	**11 108**
Total short-term net receivables	**31 254**	**29 398**

(in PLN thousand, unless otherwise stated)

Trade receivables are non-interest bearing and have an average of 21-day maturity period.

Approximately 87% of the Group's revenues are realized under contracts with the National Health Fund - a reliable and timely payer. Other commercial sales are non-cash in the case of contracts with insurance companies and in cash - for individual clients.

As a result, in the opinion of the management, there is no additional credit risk that would exceed the doubtful receivables write-downs for trade receivables resulting from surplus services - which is related to the specifics of the Group's business.

Changes in the impairment of receivables were as follows:

For the year ended 31 December 2016

Item	Revaluation write-downs of trade receivables	Due to trade and services	Due to surplus services	Other	Total
I.	The amount of write-down at the beginning of the period	698	10 410	-	11 108
1.	Increases due to:	105	1 225	49	1 379
a)	Creation	105	1 225	49	1 379
2.	Decreases due to:	105	123	-	228
a)	Utilization	91	-	-	91
b)	Reversal of impairment	11	123	-	134
c)	Other	3	-	-	3
II.	write-down at the end of the period	**698**	**11 512**	**49**	**12 259**

For the year ended 31 December 2015

Item	Revaluation write-downs of trade receivables	Due to trade and services	Due to surplus services	Other	Total
I.	The amount of write-down at the beginning of the period	669	11 392		12 061
1.	Increases due to:	159	812		971
a)	Creation	159	812		971
2.	Decreases due to:	130	1 794		1 924
a)	Utilization	130	330		460
b)	Reversal of impairment		1 464		1 464
II.	write-down at the end of the period	**698**	**10 410**		**11 108**

Since receivables may remain unpaid, as at 31st December 2016, impairment losses on receivables of PLN 11,915 thousand were maintained (as at 31 December 2015: PLN 11,108 thousand respectively).

The table below presents analysis of trade receivables that as at 31 December 2016 and 31 December 2015 were overdue, but were not considered bad debt and were not included in write-down.

As at	Total	Non-overdue receivables	Past due receivables, recoverable				
			<30 days	30-90 days	90-180 days	180-360 days	>360 days
31 December 2016	29 812	28 753	440	156	54	153	256
31 December 2015	28 142	26 171	163	117	65	194	1 432

(in PLN thousand, unless otherwise stated)

30. OTHER FINANCIAL ASSETS

As at 31 December 2016, no financial assets were classified as held for trading at fair value through profit or loss (as at 31 December 2015, no such qualification was also made). As at 31 December 2016, the Group has no other financial assets.

31. CASH AND CASH EQUIVALENTS

Cash in bank is subject to interest according to variable interest rates, which depend on the interest on one day bank deposits. Short-term deposits are made for various periods, from one day to one month, depending on the current needs of the Group for cash and are subject to determined interest rates.
The fair value of cash and cash equivalents at 31 December 2016 amounts to PLN 10,879 thousand (31 December 2015: PLN 16,350 thousand).
Cash and cash equivalent balance shown in the consolidated statement of cash flows consists of the following items:

cash and cash equivalents	As at	
	31 December 2016	31 December 2015
Cash at hand and	101	52
Cash in bank	9 276	11 301
Deposits	1 489	4 992
Funds in transfer	13	5
Total cash and cash equivalents	**10 879**	**16 350**
change in cash resulting from foreign exchange gains/(losses)	(2)	5
Total cash and cash equivalents recognized in the consolidated statement of cash flows	**10 877**	**16 355**

32.SHARE CAPITAL

32.1 Share capital

Series	Type	A number of shares as at:	
		31 December 2016	31 December 2015
A	Preference / registered	1 500 038	1 500 038
B	bearer	2 500 062	2 500 062
C	bearer	1 500 000	1 500 000
D	bearer	400 000	400 000
E	bearer	737 512	737 512
F	bearer	500 000	500 000
G	bearer	1 189 602	1 189 602
H	bearer	3 692 310	3 692 310
I	bearer	1 265 822	1 265 822
Total		**13 285 346**	**13 285 346**

In 2016 no changes to the share capital occurred.

(in PLN thousand, unless otherwise stated)

32.1.1 Nominal share value

All shares issued have a nominal value of PLN 4 each and have been fully paid up.

32.1.2 Shareholders' rights

Series A shares are privileged in voting in such a way that one share carries two votes at the General Meeting of Shareholders. Shares of all series are equally preferred as to dividends and return on equity

32.1.3 Conversion of bonds into series shares

In the year ended 31 December 2016 and 31 December 2015 no conversion of bonds into shares was made.

32.1.4 Major Shareholders

As at 31 December 2016

Shareholder	Number of shares series A, B, C, D, E, F, G,H, I	% share in the capital share	Number of votes at GM	% share in general number of votes at GM
CareUp B.V.	9 381 148	70,61%	10 881 186	73,59%
PZU FIZ AN BIS 1	2 365 662	17,81%	2 365 662	16,00%
PZU FIZ AN BIS 2	1 395 100	10,50%	1 395 100	9,44%

As at 31 December 2016

Shareholder	Number of shares series A, B, C, D, E, F, G,H, I	% share in the capital share	Number of votes at GM	% share in general number of votes at GM
CareUp B.V.	9 381 148	70,61%	10 881 186	73,59%
PZU FIZ AN BIS 1	1 034 977	7,79%	1 034 977	7,00%
PZU FIZ AN BIS 2	2 725 785	20,52%	2 725 785	18,44%

33.RESERVE CAPITAL

Reserve capital of PLN 81,317 thousand was created from the excess of the issue price over the face value, which was reduced by share issuance costs recognized as a decrease in reserve capital.

Share series	issue price surplus over par value of shares	Share issue costs	Net impact on reserve capital
series A-C	5 400	1 421	3 979
series D	4 200	272	3 928
series E	6 637	1 000	5 637
series F	10 500	2 684	7 816
series G	4 592	748	3 844
series H	57 231	1 118	56 113
series I	14 937	110	14 827
Total	**103 497**	**7 353**	**96 144**

(in PLN thousand, unless otherwise stated)

33.1 The other capital types

	Characteristics of capital	Total
As at 1 January 2016		**231**
Foreign exchange differences on foreign unit translation	231	
As at 31 December 2016		**246**
Foreign exchange differences on foreign unit translation	246	

	Characteristics of capital	Total
As at 1 January 2015		**228**
Foreign exchange differences on foreign unit translation	228	
As at 31 December 2015		**231**
Foreign exchange differences on foreign unit translation	231	

In 2016, the Issuer changed its presentation of the reserve capital of PLN (4,635) thousand, which resulted from the reversal of goodwill arising from the merger of EuroMediCare Instytut Medyczny Sp. z o.o. and EuroMediCare Service Sp. z o.o being under common control. Currently the Issuer presents this value in retained earnings.

	Reserve capital		Retained earnings	
	Was	Is	Was	Is
As of 1 January 2015, after adjustments	**(4 635)**	**0**	**4 430**	**(205)**
Result for the period		0	(4 498)	(4 498)
Other comprehensive income including:	0	0	158	158
Actuarial gains / (losses) on defined benefit plans		0	158	158
Total income for the period	**0**	**0**	**(4 340)**	**(4 340)**
As of 31 December 2015	**(4 635)**	**0**	**90**	**(4 545)**

33.2 Indivisible financial result and limitations regarding dividend payment

Retained earnings also include amounts that are not subject to distribution, that is, they cannot be paid as dividends.

Statutory financial statements of subsidiaries and parent companies are prepared in accordance with Polish accounting standards. Dividends may be paid on the basis of the financial result set out in the separate annual financial statements prepared for statutory purposes.

Under the Code of Commercial Companies, the parent company is obliged to create reserve capital to cover losses. At least 8% of the profit for a given financial year shown in the parent company's separate report is transferred to this class of capital until it reaches at least one third of the parent capital of the parent. The General Meeting decides how the supplementary capital and the reserve capital will be used. However, the reserve capital representing one third of share capital can only be used to cover the losses reported in the financial statements of the parent company and shall not be used for other purposes.

As at 31 December there are no limitations regarding dividend payment

33.3 Non-controlling shares

	The year ended	
	31 December 2016	**31 December 2015**
at the beginning of the period	7 902	7 831
Share in profit of subsidiaries	(51)	71
At the end of the period	**7 851**	**7 902**

Details of subsidiaries that have significant non-controlling shares:

Entity	**Percentage of shares and voting rights held by non-controlling shareholders**		**Profit / loss allocated to non-controlling interests in PLN thousand**	**The cumulative value of non-controlling shares in PLN thousand**	
	31 December 2016	**31 December 2015**	**2016**	**31 December 2016**	**31 December 2015**
EMC "Silesia " Sp. z o.o.	34,18%	34,18%	(186)	6 450	6 628
"Zdrowie" Sp. z o.o.	12,51%	12,51%	91	895	797

As at 31 December 2016 and 31 December 2015, the share in the total number of votes held by non-controlling interests in the Group's subsidiaries is equal to the share of non-controlling interests in their equity.

Financial information for all subsidiaries with significant non-controlling shares has been provided in the table below. The amounts presented below have not been adjusted for the effects of transactions between entities within the Group.

	EMC Silesia Sp. z o.o.		**"Zdrowie" Sp. z o.o.**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Current assets	1 170	1 340	5 495	5 557
Fixed assets	26 875	26 151	14 290	14 496
Short-term liabilities	2 750	2 368	7 733	8 045
Long-term liabilities	6 284	5 548	4 747	5 476
Capital attributable to equity holders of the parent	12 513	12 884	6 391	5 715
Capital of non-controlling shareholders	6 498	6 691	914	817
Revenues	8 271	7 698	34 502	32 550
Costs	8 820	7 696	33 507	32 113
Profit / Loss for the financial year	(549)	2	995	437
Net profit / loss attributable to equity holders of the parent company	(404)	15	639	147
Net profit / loss attributable to non-controlling shareholders	(210)	6	91	23

(in PLN thousand, unless otherwise stated)

	EMC Silesia Sp. z o.o.		"Zdrowie" Sp. z o.o.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Net profit / loss for the financial year	(614)	21	730	170
Other comprehensive income attributable to equity holders of the parent company	15	(3)	47	11
Other comprehensive income attributable to non-controlling shareholders	8	-	7	-
Other comprehensive income for the financial year	23	(3)	54	11

34. INTEREST-CARRYING BANK LOANS AND BONDS

Item	As at 31 December 2016				
	Total	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bank loans and credits	40 418	39 507	703	208	-
Loans from related entities	33 640	7 926	25 714	-	-
Total	**74 058**	**47 433**	**26 417**	**208**	**-**

Item	As at 31 December 2015				
	Total	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bank loans and credits	35 819	19 012	7 285	6 352	3 170
Loans from related entities	988	988	-	-	-
Total	**36 807**	**20 000**	**7 285**	**6 352**	**3 170**

(in PLN thousand, unless otherwise stated)

As at 31 December 2016

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
BGŻ BNP Paribas SA	913	96	WIBOR 3M + bank margin	19-04-2017	Joint mortgage up to PLN 1,369 thousand on property located in Kowary at Jeleniogórska St. and Wroclaw at Pilczycka st.; Assignment of rights from insurance policies to real estate; Power of attorney on the bank account; Blank promissory note, Borrower's declaration of submission to enforcement under Article777 of the CCP
BGŻ BNP Paribas SA	2 000	1 534	WIBOR 1M + bank margin	31-03-2017	Mortgage up to PLN 24,000 thousand on a property located in Wroclaw at Pilczycka St. ; Assignment of rights from the insurance policy of the aforementioned real estate; Registered pledge on receivables from agreements between PCZ Kowary Sp. o.o and the NHF; Power of attorney on the bank account; Blank promissory note together with the promissory note declaration, the Borrower's declaration of submission to enforcement under Article777 of the CCP
BGŻ BNP Paribas SA	13 448	5 065	WIBOR 3M + bank margin	30-07-2019	Mortgage up to PLN 24,000 thousand on a property located in Wroclaw at Pilczycka St. ; Assignment of rights from the insurance policy of the aforementioned real estate; Registered pledge on receivables from agreements between PCZ Kowary Sp. z o.o. and NHF; Power of attorney on the bank account; Blank promissory note together with the promissory note declaration, the Borrower's declaration of submission to enforcement under Article777 of the CCP
BGŻ BNP Paribas SA	7 750	6 146	WIBOR 3M + bank margin	31-12-2020	Mortgage up to PLN 13,500 thousand on real estate owned by PCZ Sp. Z o.o., assignment of rights from the policy of the aforementioned property, registration set on receivables of PCZ Kowary Sp. z o.o. and the National Health Fund, the surety company RCZ Lubin Sp. Z o.o., surety of PCZ Kowary Sp. Z o.o., power of attorney to the EMC IM account, power of attorney to the account of PCZ Kowary Sp. Z o.o., the Borrower's declaration of submission to enforcement under Article777 of the Civil Code
BGŻ BNP Paribas SA	13 000	-	WIBOR 3M + bank margin	16-10-2021	Mortgage in the amount of 150% of the loan amount on real estate Zdrowie Sp.z o.o., assignment rights from insurance policy to the loan amount, registered pledge on receivables from contracts concluded between Zdrowie Sp. z o.o. and the NHF in the minimum amount of PLN 15 000 thousand , registered pledge on shares held by the borrower, the guarantee granted by Health Sp. z o.o., Mikulicz Sp. z o.o., borrower's blank promissory note with a bill of exchange declaration, power of attorney on bank accounts kept by the Borrower, the borrower's declaration of submission to enforcement under Article777 of the CCP regarding repayment of contractual liabilities up to PLN 19,500 thousand. Guarantors' statement on submission to enforcement under Article777 of the CCP regarding repayment of contractual obligations up to PLN 19,500 thousand.
BZ WBK SA	7 000	4 783	WIBOR 1M + bank margin	31-05-2020	Contractual mortgage up to the amount of PLN 20,000 thousand on real estate located in Kowary, Ząbkowice Ślaskie, Świebodzice; transfer of receivables from the insurance contract of the abovementioned properties; transfer of receivables from agreements with the NHF concluded by EMC IM and Mikulicz Sp. o.o. .; Blank promissory notes with promissory note declaration; Power of attorney to the accounts maintained at the Bank; subordination of the Bank's claims arising from the repayment agreement of all loans granted to EMC, the Borrower's declaration of submission to enforcement under Article777 of the CCP

(in PLN thousand, unless otherwise stated)

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
BZ WBK SA	3 500	868	WIBOR 1M + bank margin	11-05-2017	Contractual mortgage up to the amount of PLN 20,000 thousand on real estate located in Kowary, Ząbkowice Slaskie, Świebodzice; Transfer of receivables from the insurance contract of the above mentioned property; Transfer of receivables from agreements with the NHF concluded by EMC IM and Mikulicz Sp. z o.o. .; Blank promissory notes with promissory note declaration; Power of attorney on the accounts maintained at the Bank; Subordination of the Bank's claims arising from the repayment agreement of all loans granted to EMC, the borrower's declaration of submission to enforcement under Article777 of the CCP
Raiffeisen Polbank SA	12 684	12 386	WIBOR 1M + bank margin	29-07-2022	A power of attorney on the current account and other accounts of the Borrower in the Bank, a contractual mortgage up to the amount of PLN 8,000 thousand on real estate located in Lubin, mortgage without other sums up to PLN 4,500,000 on real estate located in Lubin, transfer of receivables from contracts EMC Piaseczno Sp. z o.o. I RCZ Sp. z o.o., corporate guarantee issued by RCZ Sp. z o.o to the amount of the loan, the corporate guarantee issued by EMC Piaseczno Sp. z o.o to the amount of the loan, the blank promissory note issued by the Borrower with the promissory note
CareUp BV	7 740	7 926	WIBOR 1M + bank margin	31-12-2017	-
CareUp BV	25 000	25 714	WIBOR 1M + bank margin	31-12-2018	-
Raiffeisen Polbank SA	7 000	6 857	WIBOR 1M + bank margin	30-06-2017	Power of attorney to current account and other accounts of the Borrower in the Bank, contractual mortgage up to the amount of PLN 8,000 thousand on real estate located in Lubin, mortgage without other sums up to the amount of PLN 4 500 thousand on the property located in Lubin, Confirmed assignment of receivables from contracts concluded by EMC Piaseczno, corporate guarantee issued by EMC IM SA to the amount of the loan, blank promissory note issued by the borrower together with the promissory note
BZ WBK SA	1 000	0	WIBOR 1M + bank margin	11-05-2017	Contractual mortgage, transfer of receivables, EMC guarantee
BZ WBK SA	500	0	WIBOR 1M + bank margin	11-05-2017	Contractual mortgage, transfer of receivables, EMC guarantee
PBS Kwidzyn	403	240	WIBOR 1M + bank margin	30-10-2019	Guarantee of the Town and County of Kwidzyń, blank promissory note with a declaration of promissory note, declaration of submission to enforcement under art. 97 of the Banking Law, irrevocable power of attorney to use the current account
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej [*National Fund for Environmental Protection and Water Management*]	869	537	WIBOR 3M + bank margin	20-12-2021	A blank promissory note with a "no protest" clause to secure the repayment of the loan and the interest on the loan and the interest that arise from the agreement due to the amount calculated for tax arrears with a promissory note declaration
Mleasing Sp. z o.o.	233	53	WIBOR 6M + margin	31-05-2017	Agreement on the transfer of ownership
BZ WBK SA	1 300	946	WIBOR 1M + bank margin	04-04-2017	Transfer of receivables, BGK guarantee, blank promissory note and promissory note declaration
BZWBK Leasing	118	92	base rate + institution margin	20-12-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	90	63	base rate + institution margin	20-08-2020	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	101	67	base rate + institution margin	22-06-2020	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance

(in PLN thousand, unless otherwise stated)

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
					contract
BZWBK Leasing	138	84	base rate + institution margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	128	78	base rate + institution margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	113	43	base rate + institution margin	25-05-2018	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BS in Oleśnica	300	212	WIBOR 1M + bank margin	14-07-2017	Blank promissory note with bill of exchange declaration, power of attorney on the current account, assignment of receivables from the Borrower's agreement with the NHF
BZWBK Leasing	128	78	base rate + margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership
BZ WBK SA	275	179	WIBOR 1M + bank margin	21-07-2017	Blank promissory note with bill of exchange declaration
Agencja Leasingów i finansów SA	92	12	base rate + institution margin	07-06-2017	Blank promissory note with bill of exchange declaration, transfer of objects financed with a loan, assignment of insurance
Total credits and loans	**105 823**	**74 058**			

(in PLN thousand, unless otherwise stated)

As at 31 December 2015

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
DnB Bank Polska SA	19 202	13 224	WIBOR 3M + bank margin	21-07-2022	Registered pledge up to PLN 30,000 thousand on Cadolto modules, power of attorney on the bank account, accession to debt of EMC Piaseczno Sp. Z o.o., transfer of receivables from agreements with NFZ of the Issuer or another entity of the EMC Group in the amount not lower than PLN 40,000 thousand; Assignment of claims from the insurance contract; declaration of submission to enforcement
BGŻ BNP Paribas SA	913	305	WIBOR 3M + bank margin	19-04-2017	Mortgage up to the sum of 1,369 thousand PLN on the property located in Kowary at Jeleniogórska St. and in Wroclaw at Pilczycka St; Assignment of rights from the property insurance policy; Power of attorney on the bank account; Blank promissory note
BGŻ BNP Paribas SA	2 000	0	WIBOR 1M + bank margin	20-02-2016	Mortgage up to the amount of PLN 24,000 thousand on the property located in Wrocław at Pilczycka St.; Assignment of rights from the insurance policy of the aforementioned real estate; Registered pledge on receivables from agreements between PCZ Kowary Sp.z o.o and the NHF; Power of attorney on the bank account; a blank promissory note with a promissory note
BGŻ BNP Paribas SA	13 448	6 978	WIBOR 3M + bank margin	30-07-2019	Mortgage up to the amount of PLN 24,000 thousand on the property located in Wrocław at Pilczycka St.; assignment of rights from the insurance policy of the aforementioned real estate; registered pledge on receivables from agreements between PCZ Kowary Sp.z o.o. and the NHF; power of attorney on the bank account; a blank promissory note with a promissory note declaration
BGŻ BNP Paribas SA	7 750	7 500	WIBOR 3M + bank margin	31-12-2020	Mortgage up to PLN 13,500 thousand on properties owned by PCZ Sp.z oo, assignment of rights from the policy of the aforementioned property, registered pledge on receivables of PCZ Kowary Sp.z o.o. And the NHF, the surety of RCZ Lubin Sp. z o.o., surety of PCZ Kowary Sp. z o.o., power of attorney on the EMC IM account, power of attorney on the account of PCZ Kowary Sp.z o.o
BZ WBK SA	7 000	6 183	WIBOR 1M + bank margin	31-05-2020	Total contractual mortgage up to PLN 20,000 thousand on real estate located in Kowary, Ząbkowice Śląskie, Świebodzice; transfer of receivables from the insurance contract of the above-mentioned real estate; transfer of receivables from contracts with the NHF concluded by EMC IM and Mikulicz Sp.z o.o .; blank promissory notes with promissory note declaration; Power of attorney on the accounts maintained at the Bank; subordination of the Bank's receivables resulting from the repayment agreement of all loans granted to EMC
BZ WBK SA	888	524	bank margin	31-10-2016	
BZ WBK SA	3 500	0	WIBOR 1M + bank margin	11-05-2016	
BZ WBK SA	1 000	0	WIBOR 1M + bank margin	11-05-2016	
Mleasing Sp. z o.o.	233	114	WIBOR 6M + margin	31-05-2017	Transfer of ownership

(in PLN thousand, unless otherwise stated)

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
PBS Kwidzyń	403	320	WIBOR 1M + bank margin	30-10-2019	Guarantee of the Town and County of Kwidzyń, blank promissory note with a declaration of promissory note, declaration of submission to enforcement under art. 97 of the Banking Law, irrevocable power of attorney to use the current account
The National Fund for Environmental Protection and Water Management	869	671	WIBOR 3M + margin	20-12-2021	A blank promissory note with a "no protest" clause to secure the repayment of the loan and the interest on the loan and the interest that arise from the agreement due to the amount calculated for tax arrears with a promissory note declaration
PKO BP SA	3 000	0	WIBOR 1M + bank margin	30-12-2016	Registered pledge on receivables arising from contracts with the NFZ for the providing hospital treatment, as well as on future receivables specified in the relevant annex to the NHF - RCZ Sp.z o.o contract and a contractual mortgage up to PLN 4,500,000, assignment of rights under the insurance contract.
CareUp B.V.	940	988	WIBOR 1M + margin	31-12-2016	-
Total loans	**61 146**	**36 807**			

On 13 January 2016, an annex to the investment overdraft of 19 April 2013 was signed by the Issuer with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw. Based on the aforementioned annex, the margin of the bank has changed.

On 13 January 2016, an annex to the investment overdraft of 30 October 2012 was signed by the Issuer with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw. Based on the aforementioned annex, the margin of the bank has changed.

On 13 January 2016, an annex to the overdraft agreement of 30 October 2012 was signed by the Issuer with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw. Based on the aforementioned annex, the margin of the bank has changed.

On 17February 2016, a technical annex to the overdraft facility agreement was signed by the Issuer with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw. Based on the aforementioned annex, the repayment date of the loan was prolonged to 31 March 2016.

On 29 March, 2016, an annex to the overdraft facility agreement was signed by the Issuer with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw. Based on the aforementioned annex, the repayment date of the loan was prolonged to 31 March 2017.

On 10 May 2016, the Issuer and its subsidiary Mikulicz Sp. Z o.o concluded an annex to the Multiline Agreement of 11 May 2015 with Bank Zachodni WBK SA. Based on the aforementioned annex the bank's margin has changed and the repayment date has been prolonged until 11 May 2017. Under the annex, the subsidiary "Zdrowie" Sp. z o.o, which the Bank granted an overdraft facility up to PLN 500 thousand, also entered into an agreement as another party.

On 12 July 2016 the subsidiary of Regionalne Centrum Zdrowia Sp. z o.o. entered into a revolving overdraft facility agreement with Raiffeisen Bank Polska S A of PLN 7,000 thousand intended for current operations. The loan interest rate is WIBOR 1M + bank margin, the maturity date is 30 June 2017.

On 13 July 2016 the subsidiary of the Issuer entered into a non-revolving loan agreement with Raiffeisen Bank Polska S A of PLN 12,684 thousand intended to refinance the loan in DBN Bank Polska S.A. The loan interest rate is WIBOR 1M + bank margin, the maturity date is 29 July 2022.

(in PLN thousand, unless otherwise stated)

On 25 July 2016 the Issuer signed an annex to the non-revolving loan agreement with Raiffeisen Bank Polska S A of 13 July 2016. As a result the loan collateral has changed

On 25 July 2016 the subsidiary of Regionalne Centrum Zdrowia Sp. z o.o signed an annex to the revolving loan agreement with Raiffeisen Bank Polska S A of 12 July 2016. As a result the loan collateral has changed.

On 27July 2016 the Issuer made early repayment of the revolving loan granted by DNB Bank Polska SA on 2 August 2011. The loan was repaid in the amount of PLN 12,395 thousand.

On 3 August 2016, an overdraft facility agreement, which had been granted the subsidiary Regionalne Centrum Zdrowia Sp. z o.o. by PKO Bank Polski SA on 27 December 2011, was terminated.

On 17 October 2016, the Issuer entered into an investment loan agreement with Bank BGŻ BNP Paribas SA of PLN 13,000 thousand to finance / refinance 50% of investment costs related to the acquisition of shares in Zdrowie Sp. z o.o. and to reconstruct and modernize the hospital in Kwidzyń. The loan interest rate is WIBOR 3M + bank margin, repayment date falls on 16 October 2021.

As at 13 December 2016 the loan was not drawn down.

On 31 October 2016, the Issuer made a timely repayment of the non-renewable loan granted by BZ WBK SA on 11 May 2015. The loan was repaid in the amount of the last capital instalment required.

As at 31 December 2016, the Group exceeded the limit value of the financial ratio included in the following credit agreements:

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
BGŻ BNP Paribas SA	913	96	WIBOR 3M + bank margin	19-04-2017	Joint mortgage up to PLN 1,369 thousand on property located in Kowary at Jeleniogórska St. and Wroclaw at Pilczycka st.; Assignment of rights from insurance policies to real estate; Power of attorney on the bank account; Blank promissory note, Borrower's declaration of submission to enforcement under Article777 of the CCP
BGŻ BNP Paribas SA	13 448	5 065	WIBOR 3M + bank margin	30-07-2019	Mortgage up to PLN 24,000 thousand on a property located in Wroclaw at Pilczycka St. ; Assignment of rights from the insurance policy of the aforementioned real estate; Registered pledge on receivables from agreements between PCZ Kowary Sp. z o.o. and NHF; Power of attorney on the bank account; Blank promissory note together with the promissory note declaration
BGŻ BNP Paribas SA	7 750	6 146	WIBOR 3M + bank margin	31-12-2020	Mortgage up to PLN 13,500 thousand on properties owned by PCZ Sp.z oo, assignment of rights from the policy of the aforementioned property, registered pledge on receivables of PCZ Kowary Sp.z o.o. And the NHF, the surety of RCZ Lubin Sp.z o.o., surety of PCZ Kowary Sp. Z o.o., power of attorney on the EMC IM account, power of attorney on the account of PCZ Kowary Sp.z o.o
BZ WBK SA	7 000	4 783	WIBOR 1M + bank margin	31-05-2020	Total contractual mortgage up to PLN 20,000 thousand on real estate located in Kowary, Ząbkowice Śląskie, Świebodzice; transfer of receivables from the insurance contract of the above-mentioned real estate; transfer of receivables from contracts with the NHF concluded by EMC IM and Mikulicz Sp.z o.o .; blank promissory notes with promissory note declaration; Power of attorney on the accounts maintained at the Bank; subordination of the Bank's receivables resulting from the repayment agreement of all loans granted to EMC , the Borrower's declaration of submission to enforcement under Article777 of the CCP

(in PLN thousand, unless otherwise stated)

Bank	Contracted loan amount	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
Raiffeisen Polbank SA	12 400	12 386	WIBOR 1M + bank margin	29-07-2022	A power of attorney on the current account and other accounts of the Borrower in the Bank, a contractual mortgage up to the amount of PLN 8,000 thousand on real estate located in Lubin, mortgage without other sums up to PLN 4,500,000 on real estate located in Lubin, transfer of receivables from contracts EMC Piaseczno Sp. z o.o. I RCZ Sp. z o.o., corporate guarantee issued by RCZ Sp. z o.o to the amount of the loan, the corporate guarantee issued by EMC Piaseczno Sp. z o.o to the amount of the loan, the blank promissory note issued by the Borrower with the promissory note

Due to failure to comply with the terms of the contracts pursuant to Article 69 of IAS 1, the Group assigned a long-term part of the above credit facilities in the amount of PLN 21,000 thousand to short-term liabilities. (as at 31 December 2015 the amount of long-term credits included in short-term liabilities was PLN 10,955 thousand).

The above Credit facilities were not made due and payable although financial conditions were not fulfilled as at 31 December 2016 and at the date of publication of these consolidated financial statements. The Management Board does not expect the credits to become due and payable as negotiations with the banks are being conducted in that matter.

Loans

Under the framework loan agreement concluded on 25 September 2013 with CareUp B.V, with its registered office in Amsterdam, on July 08, 2016, the Issuer requested a loan of PLN 2,500,000. The loan amount was transferred to the bank account of the Issuer on 13 July 2016. On 20 October 2016, the Issuer asked for a loan of PLN 4,300 thousand. The loan amount was transferred to the account of the Issuer on 20 October 2016.

On 28 July 2016, the Issuer was granted a loan of PLN 25,000 thousand by CareUp B.V. with its registered office in Amsterdam. The interest rate on the loan is the sum of WIBOR-1M rate and the fixed margin during the agreement. The loan will have been repaid by 31 December 2017. The Issuer informed about the loan in current report No. 46/2016 of 29 July 2016.

On 30 December 2016 an annex to the framework loan agreement, which was concluded on 25 September 2013 with CareUp B.V with the seat in Amsterdam, was signed. The loan due date has been changed to 31 December 2017.

On 30 December 2016 an annex to the framework loan agreement, which was concluded on28 July 2016 with CareUp B.V with its registered seat in Amsterdam, was signed. The loan due date has been changed to 31 December 2018.

(in PLN thousand, unless otherwise stated)

35. PROVISIONS

35.1 Change in provisions for outstanding claims

As at 31 December 2016

Item	Specification	Retirement benefits and similar ones	Jubilee employee benefits	For claims	For future liabilities	Total
	Long-term					
I.	Provisions at the beginning of the period	1 939	3 325	636	-	5 900
1.	Increase due to:	188	-	6	-	194
a)	Acquisition of a subsidiary (Note 5)	73	-	-	-	73
b)	Creation	110	-	6	-	116
c)	Reclassification	5	-	-	-	5
2.	Decrease due to:	55	1 187	88	-	1 330
a)	Usage	-	-	13	-	13
b)	Dissolving unnecessary one	-	1 010	75	-	1 085
b)	Reclassification	55	177	-	-	232
II.	**Provisions at the end of the period**	2 072	2 138	554	-	4 764
	Short-term					
I.	Provisions at the beginning of the period	190	463	662	412	1 687
1.	Increase due to:	383	177	-	453	1 013
a)	Acquisition of a subsidiary	1	-	-	-	1
b)	Creation	327	-	-	448	775
c)	Reclassification	55	177	-	-	232
d)	Other				5	5
2.	Decrease due to:	13	168	393	141	715
a)	Usage	-	-	109	87	196
b)	Dissolving unnecessary one	8	168	284	54	514
c)	Reclassification	5	-	-	-	5
II.	**Provisions at the end of the period**	560	472	229	724	1 985

(in PLN thousand, unless otherwise stated)

As at 31 December 2015

Item	Specification	Retirement benefits and similar ones	Jubilee employee benefits	For claims	For future liabilities	Total
	Long-term					
I.	Provisions at the beginning of the period	2 050	3 486	187	-	5 723
1.	Increase due to:	114	43	471	-	628
a)	Creation	114	43	10	-	167
b)	Reclassification	-	-	461	-	461
2.	Decrease due to:	225	204	22	-	451
a)	Usage	-	-	8	-	8
b)	Dissolving unnecessary one	225	204	14	-	443
II.	**Provisions at the end of the period**	1 939	3 325	636	-	5 900
	Short-term					
I.	Provisions at the beginning of the period	187	519	1 086	268	2 060
1.	Increase due to:	93	64	56	347	560
a)	Creation	93	64	56	347	560
2.	Decrease due to:	90	120	520	203	933
a)	Usage	-	-	3	74	77
b)	Dissolving unnecessary one	90	120	56	129	395
c)	Reclassification	-	-	461	-	461
II.	**Provisions at the end of the period**	190	463	622	412	1 687

36. OTHER LIABILITIES,TRADE LIABILITIES AND PREPAYMENTS

36.1 Other long-term liabilities

Long-term liabilities	As at	
	31 December 2016	31 Decembe r 2015
-liabilities due to the amount to be paid for the shares in the company "Zdrowie" Sp. z o.o.	1 287	6 800
- valuation of liabilities due to the amount to be paid for shares in "Zdrowie" Sp. z o.o	(30)	(244)
- *liabilities due to using shares in* „Zdrowie" Sp. z o.o.	14	221
- *valuation of liabilities due to the amount to be paid for using shares* „Zdrowie" Sp. z o.o.	(1)	(17)
- Subsidies with return risk („Zdrowie" Sp.z o.o.)	1 286	1 286
- liabilities payable in instalments due to the purchase of fixed assets (RCZ Sp. o.o.)	-	58
- discounted deferred payment as a security deposit, which constitutes 10% of the cost of shares in companies such as : NZOZ Zawidawie Sp. Z o.o., CM Medyk Sp. Z o.o., Q-Med. Sp. z o.o	1 218	-
Total	**3 774**	**8 104**

(in PLN thousand, unless otherwise stated)

36.2 Trade and other short-term liabilities

Short-term liabilities	As at 31 December 2016	As at 31 December 2015
Due to trade and service	27 023	16 350
Due to CIT	73	98
Other liabilities, such as:	16 151	11 269
- due to VAT	183	65
- due to ZUS	7 687	4 596
- due to PIT	1 495	1 240
- due to PFRON [*National Disabled Persons Rehabilitation Fund*]	35	48
- due to Payroll	5 274	4 640
- reimbursement of the grant from the Marshal's Office in Gdańsk	68	240
- liabilities due to lease of Shares in „Zdrowie” Sp. Z o.o.	28	-
- Liabilities pursued in court	-	54
- discounted deferred payment as a security deposit, which constitutes 10% of the cost of shares in companies such as : NZOZ Zawidawie Sp. Z o.o., CM Medyk Sp. Z o.o., Q-Med. Sp. z o.o	1 269	-
- Other	112	386
Total	**43 247**	**27 717**

Terms and conditions of the above liabilities:
Trade payables are non-interest bearing and usually settled within 21 days. Other liabilities are non-interest bearing.
As at 31 December 2016 and 31 December 2015, no financial liabilities were classified as measured at fair value through profit or loss.

36.3 Deferred income disclosed as liabilities

Deferred income and accruals	As at 31 December 2016	As at 31 December 2015
Long-term, such as:	**7 503**	**8 228**
Subsidies for the purchase of fixed assets	4 615	4 616
Settlement of fixed assets received free of charge	1 000	1 288
Rent for the property lease received in advance	1 888	2 324
Short-term, such as:	**4 187**	**5 159**
Subsidies for the purchase of fixed assets	671	482
Settlement of fixed assets received free of charge	425	341
Provisions for unused holidays	2 445	2 821
Rent for the property lease received in advance	436	436
Provisions for bonuses	209	1 044
Other	1	35
Total	**11 690**	**13 387**

(in PLN thousand, unless otherwise stated)

37. EXPLANATION OF DIFFERENCES BETWEEN CHANGES IN THE BALANCE SHEET CAPTIONS AND CHANGES PRESENTED IN THE STATEMENT OF CASH FLOWS

	Specification	The year ended 31 December 2016	The year ended 31 December 2015
Receivables	**Balance sheet change in long- and short-term receivables**	**(1 865)**	**444**
	Taking control over new subsidiaries	2 792	-
	Change in receivables in the statement of cash flows	**936**	**444**
Liabilities	**Balance sheet change in operating liabilities excluding credits and loans**	**11 044**	**(1 957)**
	Liabilities due to financial lease	156	(847)
	Taking control over new subsidiaries	(1 043)	-
	Change in investment liabilities	(2 336)	843
	Amount paid for shares in subsidiaries	5 641	150
	Other	29	4
	Change in operating liabilities in the cash flow statement	**13 491**	**(1 807)**
Inventories	**Balance sheet change in inventories**	**(171)**	**(8)**
	Taking control over new subsidiaries	293	-
	Change in inventories in the statement of cash flows	**122**	**(8)**
Provisions	**Balance sheet change in provisions**	**(838)**	**(196)**
	Taking control over new subsidiaries	(418)	-
	Elimination of changes in provisions charged to comprehensive income	239	195
	Change in provisions in the statement of cash flows	**(1 017)**	**(1)**
Accruals	**Balance sheet change in Accruals**	**(1 807)**	**3 543**
	Taking control over new subsidiaries	63	-
	Elimination of fixed assets received free of charge in a given period	(204)	(360)
	Change in accruals in the statement of cash flows	**(1 948)**	**3 183**
Other adjustments			
	Commissions on loans paid	89	126
	Elimination of bond valuation	-	105
	Other adjustments in the statement of cash flows	**89**	**231**
Income tax paid	**Balance sheet change in liabilities from income tax**	**-**	**47**
	Income tax for a given year	(557)	1 171
	Income tax paid in the statement of cash flows	**(557)**	**1 218**
Expenditure on acquisition of financial assets in related entities	Amount paid for shares in „Zdrowie" Sp. z o.o.	70	150
	Amount paid for shares in: NZOZ Zawidawie Sp. z o.o., CM Medyk Sp. z o.o., Q-Med. Sp. z o.o	30 089	-
	Cash at subsidiaries as at the date of taking control	(2 021)	-
	Expenditure on purchasing financial assets in related entities	**28 138**	**150**

38. INVESTMENT LIABILITIES

The Issuer was obliged to incur investment expenses that result from the following investments agreements:

1) On 31 May 2013 the Issuer signed a preliminary agreement to purchase and use shares in a company “Zdrowie” Sp.z o.o. with the Kwidzyń county, Kwidzyn city, PEC sp. z o.o. in Kwidzyn, PWiK sp. z o.o. The signing of the agreement was announced in a current report no. 53/2013 of 31 May 2013. Under the agreement the Issuer will be using 87,4867% of shares of "Zdrowie" Sp. z o.o. that belong to the Sellers for 5 years. After that period, i.e. by 1 June 2018 the final agreement for the purchase of shares will have been signed (the amount set in the initial agreement) resulted in possessing by the Issuer shares used earlier. In case of not signing the agreement or renouncing the shares usage the Issuer will lose an advance. Additionally, the Sellers may demand, proportionally to their shares, that a contractual penalty be paid in the amount of PLN 2.000 thousand.

2)Following the preliminary agreement for the sale of shares of 31 May 2013, a contract for the sale of shares was concluded on 8 April 2016 between the Kwidzyń District (the Seller) and the Issuer (the Buyer). As a result of signing the contract, the Issuer agreed to bear the costs of upgrading hospital infrastructure standards and adapting them to applicable requirements by investing at least PLN 10 thousand by the end of 31.05.2018. The work has already started and there is no risk of default.

3) On the 11 February 2014 the contract for selling 100% shares in the Regional Health Centre was concluded. The information was included in a current report no. 24/2014 of 11 February 2014.
According to the said contract, the Issuer was obliged to carry out the following investments:
- a hospital rescue ward with a landing strip in the amount of PLN 1,500 thousand in the period of 36 months,
- renovation of a hospital’s technical area in the amount not lower than PLN 1,000 thousand in the period of 12 months,
- renovation, modernization and adjustment of particular hospital rooms, increasing the quality of patients’ stay in the amount of not lower than PLN 4,960 thousand in the period of 36 months,
- the purchase of equipment and appliances in the amount of not lower than PLN 3,200 thousand in the period of 36 months,
- in addition, investments included in the adjustment programme conducted for the company Regionalne Centrum Zdrowia sp. z o.o. will be carried out in due time,

The investment obligations associated with the hospital’s technical part have been met.
As at the day of compiling these consolidated financial statements, the Management Board does not expect to fail to fulfil the obligations mentioned.

39. CONDITIONAL LIABILITIES

The Group has not granted any guarantees or warranties to entities from outside the Group.

39.1 Court cases

On 23 March 2016 the Court of Appeal in Gdansk (court of second instance) ruled against the subsidiary Zdrowie Sp. o.o. with its registered office in Kwidzyń on compensation for medical malpractice, dismissing the appeal of the Company and thus awarding damages and a monthly pension. In order to pay potential compensations, reserve fund was set up in the previous years, the compensation and damages awarded have been reimbursed by the insurance company.

On 21 December 2016 the Court of Appeal in Wrocław (court of second instance) ruled against EMC Instytut Medyczny SA on compensation for medical malpractice, dismissing the appeal of the Company and thus awarding damages and a monthly pension to the plaintiff. The compensation and damages awarded have been reimbursed by the insurance company.

A lawsuit against the subsidiary EMC Piaseczno sp. z o.o. with its registered office in Piaseczno, which was filed by the patient and her family claiming compensation for the harm suffered and the indemnity, is pending before the District Court in Warsaw. Potential claim shall be covered by an insurance policy.

A lawsuit filed by the subsidiary EMC Piaseczno sp. z o.o. against the Mazowieckie Voivodeship Branch of the National Health Fund for remuneration for health services granted is pending before the District Court in Warsaw. The value of the dispute exceeds PLN 500 thousand.

A lawsuit filed by the Patient Ombudsman against the subsidiary EMC Piaseczno sp. z o.o. with its registered office in Piaseczno is pending before the District Court in Warsaw; the subject of the case is to compensate the patient's mother for inadequate care by the medical staff while providing medical services. Potential claim shall be covered by an insurance policy.

On 13.12. 2016 the District Court awarded PLN 300,000 along with interest and costs of legal proceedings as compensation for an event covered by the Civil Liability insurance in favour of the subsidiary Mikulicz sp. z o.o against the Insurance Company. The sentence is not legally binding.

A lawsuit filed by a patient's family claiming compensation and damages for the patient's death against the subsidiary Regionalne Centrum Zdrowia sp. z o.o is pending before the District Court in Legnica. The value of the dispute exceeds PLN 350 thousand. Potential claim shall be covered by an insurance policy.

A lawsuit against the subsidiary Zdrowie sp. z o.o. which was filed by the patient's spouse claiming compensation for the harm suffered and the indemnity due her husband's, is pending before the District Court in Gdańsk. The value of the dispute exceeds PLN 500 thousand Potential claim shall be covered by an insurance policy. PZU S.A. is a co-defendant.

In the period of 12 months ended 31 December 2016, there were no other significant changes in pending court cases concerning the Group companies.

39.2 Tax settlements

Currently there are no ongoing tax audits in the Group.

On 1 February 2016, the Issuer received a corporate income tax return of PLN 33 thousand due to the overpayment for technology tax relief for 2012.

On 27February 2015, the Issuer received a refund for overpayment of corporate income tax of PLN 949 thousand for 2008.

On 24 August 2015, the Issuer received a refund for overpayment of corporate income tax of PLN 1,446 thousand for the years 2009-2011, in accordance with the application of overpayment in corporate income tax submitted to the Lower Silesian Tax Office.

Tax settlements and other areas of regulated operations (such as customs or foreign exchange issues) might constitute subjects of controls carried out by administrative authorities which are authorised to impose high penalties and sanctions. The lack of reference to established legal frameworks in Poland leads to ambiguities and inconsistencies in the currently effective legislation. Frequent differences of opinions as to legal interpretation of tax regulations among state authorities as well as between state authorities and corporations, result in large areas of uncertainty and conflicts. Therefore a tax risk in Poland is significantly higher than it is usually the case in countries with more developed tax systems.

Tax settlements might be controlled for the period of five years, starting from the end of the year when respective taxes are actually paid. Following controls the hitherto existing tax settlements of the Group might be increased by additional tax liabilities. According to the Group, as at 31 December 2016, there were no premises to create a provision for recognized and quantifiable tax risks.

(in PLN thousand, unless otherwise stated)

40. TRANSACTIONS WITH RELATED ENTITIES

In the period of 6 months ended 31 December 2016 the Issuer was the party of the following transactions with other related entities– not being a part of the Capital Group:

Parties to a transaction	Services purchase	The amount of the transaction in the period	as at 31.12.2016
Individual Health Services Ireneusz Pikulicki	Services rendered for the Issuer	286*	18
Properties And More Sp. Z O.O.	Services rendered for the Issuer	595	48
Individual Specialist Healthcare Services Dr N.Med. Bożena Gołębiowska	Services rendered for the Issuer	253**	-
Pro-Firma Business Consulting Agnieszka Szpara	Services rendered for the subsidiary EMC Piaseczno Sp. z o.o.	324***	-
CareUp B.V.	Loan with interest	-	33 639
	Total	**1 458**	**33 705**

* The amount of transactions in the period 01-12.2016 Ireneusz Pikulicki in the in the Management Board of EMC Instytut Medyczny SA until 20 September 2016

** The amount of transactions in the period 01-04.2016 Bożena Gołębiowska in the in the Management Board of EMC Instytut Medyczny SA until 2 May 2016

*** The amount of transactions in the period 01-04.2016 Agnieszka Szpara in the in the Management Board of EMC Instytut Medyczny SA until 30 April 2016

The year ended 31 December 2015

Parties to a transaction	Services purchase	The amount of the transaction in the period	as at 31.12.2015
Individual Health Services Ireneusz Pikulicki	Services rendered for the Issuer	150	15
Properties And More Sp. Z O.O.	Services rendered for the Issuer	368	40
Individual Specialist Healthcare Services Dr N.Med. Bożena Gołębiowska	Services rendered for the Issuer	246	21
Pro-Firma Business Consulting Agnieszka Szpara	Services rendered for the subsidiary EMC Piaseczno Sp. z o.o.	442	37
CareUp B.V.	Loan with interest		988
	Total	**1 206**	**1 101**

40.1 Parent company of the Group

As at 31 December 2016, the parent company of the Group was CareUp B.V., which owned 70.61% of the Issuer's ordinary shares.

As at 31 December 2015, the parent company of the Group was CareUp B.V., which owned 70.61% of the Issuer's ordinary shares.

CareUp B.V. belongs to the group PLNAP Holdings Limited, whose parent company is Penta Investments Group Limited.

40.2 Entity with significant influence on the Group

As at 31 December 2016, entities from the PZU Group held 28.31% of the Issuer's ordinary shares, as at 31 December 2015, they held respectively 28.31% of the Issuer's ordinary shares.

40.3 Terms and conditions of transactions with related entities

All transactions with related entities were arm’s length transactions.

(in PLN thousand, unless otherwise stated)

40.4 Other transactions involving members of the Management Board

In 2016 the Issuer did not make any material sale transactions involving Members of the Management Board.

In 2015 the Issuer did not make any material sale transactions involving Members of the Management Board.

40.5 The remuneration of Group's senior management

40.5.1 The remuneration paid or due to the Management Board and the Supervisory Board members of the Group

The remuneration of members of the managing and supervising bodies of the Group due to management and other functions performed for the Companies included:

The remuneration in the parent company	The year ended 31 December 2016	The year ended 31 December 2015
The Management Board	1 750	1 761
The Supervisory Board	12	9
The Scientific Council	-	-
Total remuneration	**1 762**	**1 770**
The remuneration of the Management Board members of the subsidiaries	**1 828**	**2 042**
Total	**3 590**	**3 812**

The remuneration of the Management Board members of the Issuer due to managing, rendering services and other functions performed for the parent company:

Name and surname	The year ended 31 December 2016	The year ended 31 December 2015
Vice-President of Management Board –Krystyna Wider– Poloch[1]	-	201
Member of Management Board – Józef Tomasz Juros[2]	-	120
Member of Management Board – Zdzisław Cepiel[3]	-	72
President of Management Board – Agnieszka Szpara[4]	314	336
Member of Management Board – Tomasz Suchowierski	624	404
Member of Management Board – Ireneusz Pikulicki[5]	420	257
Member of Management Board – Bożena Gołębiowska[6]	319	371
Member of Management Board – Maciej Piorunek[7]	72	-
Total Remuneration	**1 750**	**1761**

[1] in the Management Board of EMC Instytut Medyczny SA until 31 December 2014
[2] in the Management Board of EMC Instytut Medyczny SA until 26 February 2015
[3] in the Management Board of EMC Instytut Medyczny SA until 31 March 2015
[4] in the Management Board of EMC Instytut Medyczny SA from 1 September 2014 until 30 April 2016
[5] Compensation for the period of 12 months of 2015, in the in the Management Board of EMC Instytut Medyczny SA from 1 April 2015 to 30 September 2016
[6] Compensation for the period of 12 months of 2015, in the in the Management Board of EMC Instytut Medyczny SA from 1 April 2015 until 2 May 2016
[7] in the Management Board of EMC Instytut Medyczny SA from 1 October 2016

(in PLN thousand, unless otherwise stated)

The remuneration of the Management Board members of the Issuer from the subsidiaries:

Name and surname	Subsidiary	The year ended 31 December 2016	The year ended 31 December 2015
Józef Tomasz Juros	EMC Silesia Sp. z o.o.	-	6
Józef Tomasz Juros	EMC Piaseczno Sp. z o.o.	-	6
Agnieszka Szpara	EMC Piaseczno Sp. z o.o.	324	442
Tomasz Suchowierski	EMC Piaseczno Sp. z o.o.	1	-
Maciej Piorunek	EMC Piaseczno Sp. z o.o.	1	-
Ireneusz Pikulicki	EMC Piaseczno Sp. z o.o.	15	14
Tomasz Suchowierski	Lubmed Sp. z o.o.	1	-
Maciej Piorunek	Lubmed Sp. z o.o.	1	-
Maciej Piorunek	Regionalne Cenatrum Zdrowia Sp. z o.o.	2	-
Tomasz Suchowierski	Mikulicz Sp. z o.o.	1	-
Maciej Piorunek	Mikulicz Sp. z o.o	1	-
Tomasz Suchowierski	PCZ Kowary Sp. z o.o.	1	-
Maciej Piorunek	PCZ Kowary Sp. z o.o.	1	-
Tomasz Suchowierski	Zdrowie Sp.z o.o.	1	-
Maciej Piorunek	Zdrowie Sp.z o.o	1	-
Tomasz Suchowierski	Silesia Med. Serwis Sp.z o.o.	1	-
Tomasz Suchowierski	NZOZ Zawidawie Sp. z o.o.	1	-
Maciej Piorunek	NZOZ Zawidawie Sp. z o.o	1	-
Total Remuneration		**354**	**468**

The remuneration of the Supervisory Board members of EMC Instytut Medyczny SA:

Name and surname	The year ended 31 December 2016	The year ended 31 December 2015
Mateusz Słabosz	3	2
Vaclav Jirku	3	2
Waldemar Kmiecik	-	1
Artur Smolarek	-	2
Jędrzej Litwiniuk	2	2
Grzegorz Stępiński Lenka Siklienková	3	-
Attilla Veghh	-	-
Total Remuneration	**12**	**9**

(in PLN thousand, unless otherwise stated)

41. INFORMATION ABOUT THE REMUNERATION FOR THE STATUTORY AUDITOR OR ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

On 23 May 2016, the Supervisory Board of EMC Instytut Medyczny SA resolved to appoint PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw as an auditor to examine the financial statements of EMC Instytut Medyczny SA. The Issuer announced that in the current report No. 32/2016.

Company	An entity authorised to audit financial statements	Types of statements	Date of signing the audit contract in 2015 and in 2016	Remuneration	
				2015	2016
EMC IM SA	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary and consolidated	23 July 2015	54	
		A review of interim consolidated financial statements		30	
	PricewaterhouseCoopers Sp. z o.o.	Annual unitary and consolidated	10 June 2016		50
		A review of interim consolidated financial statements			39
			Total	**84**	**89**
EMC Piaseczno Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary	25 September 2015	20	
	PricewaterhouseCoopers Sp. z o.o.	Annual unitary	12 September 2016		20
			Total	**20**	**20**
PCZ Kowary Sp. z o.o	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary	25 September 2015	10	
	PricewaterhouseCoopers Sp. z o.o. .	Annual unitary	12 September 2016		15
			Total	**10**	**15**
„Zdrowie" Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary	25 September 2015	20	
	PricewaterhouseCoopers Sp. z o.o.	Annual unitary	12 September 2016		20
			Totoal	**20**	**20**
EMC Silesia Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary	25 September 2015	12	
	PricewaterhouseCoopers Sp. z o.o.	Annual unitary	12 September 2016		15
			Total	**12**	**15**
RCZ Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary	25 September 2015	38	
	PricewaterhouseCoopers Sp. z o.o.	Annual unitary	12 September 2016		30
			Total	**38**	**30**

Furthermore, in the case of EMC Instytut Medyczny SA, the remuneration of PricewaterhouseCoopers Sp. z o.o. for other services was PLN 25 thousand in 2016, while the remuneration of Ernst & Young Audyt Polska Sp. z o.o. Sp. K. for other services was PLN 36 thousand in 2015.

The above amounts are net amounts, invoices are to be increased by VAT.

42. PRINCIPLES AND OBJECTIVES OF MANAGING FINANCIAL RISK

The Group's main financial instruments are bank loans, bonds, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's activities. The Group also has other financial instruments, such as trade receivables and liabilities arising directly from its business.

The rule the Group has applied in the reporting period is not to trade in financial instruments.

The main types of risk resulting from the Group's financial instruments include interest , liquidity, currency and credit risk. The Management Board of the Group verifies the principles of managing each type of risk.

Interest rate risk

The Group is exposed to market risk caused by changes in interest rates that primarily relate to short-term and long-term loans and corporate bonds, and subsequently liabilities arising from finance lease agreements.
The Group does not use derivative financial instruments to hedge interest rates.

	Increase / decrease by percentage points	Impact on gross financial result
The year ended 31 December 2016		
In PLN thousand	+1%	(415)
	-1%	415
The year ended 31 December 2015		
In PLN thousand	+1%	(332)
	-1%	332

42.1 FX risk

The Group is exposed to FX risk on account of performed transactions. Such risk results from sales or purchases carried out by the operating entity in currencies other than its evaluation currency. In the reporting period, transactions in foreign currency were incidental and did not constitute a material value in the Group's operations.

42.2 Commodity price risk

Due to the specific nature of the business (providing mainly medical services), the Group is not exposed to the risk of commodity price fluctuations.

42.3 Credit risk

The Company enters into transactions with only reputable companies which have good credit ratings. All the customers who wish to be given a trade credit need to undergo preliminary verification procedures. In addition, as balances of receivables have been monitored, the chances of exposing the Group to the risk of bad debt are insignificant. The main contractor, the National Health Fund, is a reliable and solvent payer.

As for other financial assets of the Company, such as cash and cash equivalents,
credit risk arises for the Group if the other party to a contract is unable pay, and the maximum exposure to this risk is equal to the carrying amount of those instruments.

42.4 Liquidity risk

The Group monitors its risk of a shortage of funds with a liquidity planning tool, which considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) as well as projected cash flows from operations

(in PLN thousand, unless otherwise stated)

The aim of the Group is to maintain balance between the continuity and flexibility of funding through the use of various sources of financing such as overdrafts, bank loans, finance. The Group's liabilities as at 31 December 2016 and 31 December 2015, according to the maturity date on the basis of contractual undiscounted payments, are outlined below.

31 December 2016	On request	Under 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Interest-bearing loans and leasing	28 438	11 658	10 845	34 035	15	84 991
Trade liabilities	7 460	19 246	317	-	-	27 023
Other liabilities	22	5 439	1 290	3 774	-	10 525
	35 920	36 343	12 452	37 809	15	122 539

31 December 2015	On request	Under 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Interest-bearing loans and leasing	14 777	1 957	6 878	19 399	3 455	46 466
Trade liabilities	894	15 036	417	3	-	16 350
Other liabilities	-	5 209	111	8 104	-	13 424
	15 671	22 202	7 406	27 506	3 455	76 240

Due to failure to comply with the terms of the contracts pursuant to Article 69 of IAS 1, the Group assigned a long-term part of the above credit facilities in the amount of PLN 21,000 thousand to short-term liabilities. (as at 31 December 2015 the amount of long-term credits included in short-term liabilities was PLN 10,955 thousand).

The above credit facilities were not made due and payable although financial conditions were not fulfilled as at 31 December 2016 and at the date of publication of these consolidated financial statements. The Management Board does not expect the credits to become due and payable as negotiations with the banks are being conducted in that matter.

(in PLN thousand, unless otherwise stated)

43. FINANCIA INSTRUMENTS

43.1 Fair values of different classes of financial instruments

The following table compares carrying amounts and fair values of all financial instruments held by the Company by class and category of assets and liabilities

	The carrying value		Fair value*	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets:	**41 684**	**45 011**	**41 684**	**45 011**
Other financial assets:	**41 684**	**45 011**	**41 684**	**45 011**
Long-term:	-	-	-	-
Short-term:	41 684	45 011	41 684	45 011
Trade receivables	29 812	28 142	29 812	28 142
Other receivables	993	519	993	519
Cash	10 879	16 350	10 879	16 350
Financial liabilities:	**116 337**	**71 468**	**116 337**	**71 468**
Interest-carrying bank loans and bonds, including:	**74 058**	**36 807**	**74 058**	**36 807**
long-term interest-carrying according to floating interest rate	26 358	16 807	26 358	16 807
long-term interest-carrying according to fixed interest rate	267	-	267	-
Overdrafts	10 378	-	10 378	-
Short-term:	37 055	20 000	37 055	20 000
Other long-term financial liabilities such as :	**6 431**	**11 057**	**6 431**	**11 057**
Liabilities die to financial lease	2 657	2 953	2 657	2 953
Other	3 774	8 104	3 774	8 104
Other short-term financial liabilities such as :	**35 848**	**23 604**	**35 848**	**23 604**
Liabilities due to financial lease	2 074	1 934	2 074	1 934
Liabilities due trade and services	27 023	16 350	27 023	16 350
Other	6 751	5 320	6 751	5 320

* The analysis of the values of specific categories of assets and liabilities did not reveal any significant discrepancies between the carrying amount and the fair value.

(in PLN thousand, unless otherwise stated)

43.2 Changes in revenues, costs, profit and loss recognised under profit or loss divided into categories of financial instruments

For the year ended 31 December 2016

	Revenues/ (Cost) due to interest	Profit/ (Loss) due to Exchange rate differences	Solution / (creation) of write-offs	Profit/ (loss) on valuation	Other	Total
Financial assets:	**44**	**(7)**	**(99)**	**-**	**-**	**(62)**
Other financial assets:	**44**	**(7)**	**(99)**	**-**	**-**	**(62)**
Short-term:	44	(7)	(99)	-	-	**(62)**
Trade receivables	9	(5)	(99)	-	-	**(95)**
Cash	35	(2)	-	-	-	**33**
Financial liabilities:	**(2 436)**	**9**	**-**	**(132)**	**-**	**(2 559)**
Interest-carrying bank loans and bonds, including:	**(2 186)**	**-**	**-**	**(132)**	**-**	**(2 318)**
long-term interest-carrying according to floating interest rate	(725)	-	-	-	-	(725)
short-term interest-carrying according floating interest rate	(1 440)	-	-	(132)	-	(1 572)
Overdrafts	(21)	-	-	-	-	(21)
Other liabilities such as**:**	**(250)**	**9**	**-**	**-**	**-**	**(241)**
Liabilities due to financial lease	(196)	-	-	-	-	(196)
Liabilities due trade and services	(54)	9	-	-	-	(45)

For the year ended 31 December 2015

	Revenues/ (Cost) due to interest	Profit/ (Loss) due to Exchange rate differences	Solution / (creation) of write-offs	Profit/ (loss) on valuation	Other	Total
Financial assets:	**280**	**(7)**	**(159)**	**-**	**-**	**114**
Other financial assets:	**280**	**(7)**	**(159)**	**-**	**-**	**114**
Short-term:	280	(7)	(159)	-	-	**114**
Trade receivables	5	(13)	(159)	-	-	**(167)**
Cash	275	6	-	-	-	**281**
Financial liabilities:	**(1 961)**	**58**	**-**	**(103)**	**-**	**(2 006)**
Interest-carrying bank loans and bonds, including:	**(1 715)**	**-**	**-**	**(103)**	**-**	**(1 818)**
long-term interest-carrying according to floating interest rate	**(887)**	-	-	-	**-**	(887)
short-term interest-carrying according floating interest rate	(802)	-	-	(103)	**-**	(905)
Overdrafts	(26)	-	-	-	**-**	(26)
Other liabilities such as**:**	**(246)**	**58**	-	-	**-**	**(188)**
Liabilities due to financial lease	(166)	-	-	-	-	(166)
Liabilities due trade and services	(80)	58	-	-	-	(22)

(in PLN thousand, unless otherwise stated)

43.3 Interest rate risk

As at 31 December 2016

Fixed interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Loans	321	751	-	-	1 072
	321	751	-	-	1 072

Variable interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Cash assets	10 879	-	-	-	10 879
Overdrafts	10 594	-	-	-	10 594
Investment loans	28 592	160	-	-	28 752
Loans from related entities	7 926	25 714	-	-	33 640
Liabilities due to financial lease	2 074	2 386	271	-	4 731
	60 065	28 260	271	-	88 596

As at 31 December 2015

Fixed interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Loans	196	266	230	93	785
	196	266	230	93	785

Variable interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Cash assets	21 410				21 410
Overdrafts	18 816	7 019	6 122	3 077	35 034
Investment loans	988				988
Loans from related entities	1 934	2 637	316		4 887
	43 148	9 656	6 438	3 077	62 319

44. CAPITAL MANAGEMENT

A key objective of the Company's capital management is to maintain a good credit rating and safe capital ratios which would support the Company's operating activities and increase the value for its shareholders.

The Company manages its capital structure and following changes in economic conditions introduces corresponding changes to such structure. In order to keep or adjust the capital structure, the Company may change dividend payments to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2016 and 31 December 2015 there were no changes to the objectives, principles and processes applicable in this area.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net liabilities include interest-bearing loans and borrowings, trade accounts payable and other liabilities, less cash and cash equivalents. The capital includes equity attributable to shareholders of the Parent Company, less reserve capitals from unrealized net profits.

(in PLN thousand, unless otherwise stated)

	31 December 2016	31 December 2015
Interest-bearing loans and loans	74 058	36 807
Trade and other liabilities	51 752	40 708
Less cash and cash equivalents	(10 879)	(16 350)
Net debt	114 931	61 165
Equity	141 876	152 873
Reserve capital from unrealized net income	-	-
Total capital	141 876	152 873
Net equity and debt	256 807	214 038
Leverage ratio	0,4475	0,2858

45. EMPLOYMENT STRUCTURE

Company	2016			2015		
	White-collar workers	Blue-collar workers	Total	White-collar workers	Blue-collar workers	Total
EMC Instytut Medyczny S.A.	485	104	589	490	95	585
Lubmed Sp. Z o.o.	58	7	65	58	7	65
Mikulicz Sp. Z o.o.	107	39	146	115	40	155
EMC Health Care Limited	6	1	7	8	1	9
EMC Silesia Sp. z o.o.	69	24	93	65	19	84
PCZ Kowary Sp. z o.o.	112	54	166	129	49	178
EMC Piaseczno Sp. z o.o.	88	11	99	99	15	114
Zdrowie Sp. z o.o.	224	51	275	226	47	273
RCZ Sp. z o.o.	418	113	531	440	109	549
NZOZ Zawidawie Sp. z o.o.	66	15	81	-	-	-
CM Medyk Sp. z o.o.	6	1	7	-	-	-
Q-Med Sp. z o.o.	33	6	39	-	-	-
Total	**1 672**	**426**	**2 098**	**1 630**	**382**	**2 012**

46. POST-BALANCE SHEET EVENTS

The Supervisory Board of EMC Instytut Medyczny SA, appointed Mr Rafał Szmuc as a member of the Management Board and the President of the Management Board of EMC Instytut Medyczny SA on 10 January 2017.The Issuer informed about the candidate in the current report No. 54/2016 of 12 October 2016.

After the balance sheet date until the date of drawing up these financial statements, i.e. 9 March 2017, no material events occurred which should have been included in the financial statements except the ones mentioned above.