EMC SZPITALE

EMC Instytut Medyczny SA

CONSOLIDATED FINANCIAL STATEMENTS

Of Capital Group EMC Instytut Medyczny

for the year

ended 31December 2017

Wrocław, 16 March 2018

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CONSOLIDATED FINANCIAL STATEMENTS

Approval of the Annual Condensed Consolidated Financial Statements for the period of 12 months ended 31 December 2017

These Annual Consolidated Financial Statements were approved for issue by the Management Board on 16 March 2018.

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, 16 March 2018

(in PLN thousand, unless otherwise stated)

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

AN INCOME STATEMENT (a comparative statement)	Notes	For the year ended 31 December 2017	31 December 2016 reclassified data *
Revenues from sales	14.1	**311 501**	**277 484**
Net revenues from sales of products		311 357	274 601
Net revenues from sales of goods and materials		144	2 883
Operating expenses		**321 248**	**298 884**
Amortisation and depreciation		14 909	14 241
Consumption of materials and energy		42 270	39 961
Outsourcing		122 541	108 790
Taxes and charges		1 423	1 737
Payroll	14.6	111 469	98 883
Social insurance and other benefits	14.6	19 784	18 399
The other costs by type		3 508	3 008
Value of goods and materials sold		115	2 341
Revenues from sales		5 229	11 524
Loss on sales		**(9 747)**	**(21 400)**
The other operating revenues	14.2	20 307	4 992
The other operating expenses	14.3	5 978	1 763
Profit on operating activities		**4 582**	**(18 171)**
Financial revenues	14.4	26	309
Financial costs	14.5	4 650	3 057
Loss on business activities		**(42)**	**(20 919)**
Gross profit		**(42)**	**(20 919)**
Income tax	15	**1 383**	**1 784**
Net loss, including:		**(1 425)**	**(22 703)**
Parent Undertaking's Shareholders	17	**747**	**(22 652)**
Non-controlling Shareholders		**(2 172)**	**(51)**
Weighted average number of shares		13 285 346	13 285 346
Profit per share of Parent Undertaking Shareholders in PLN		**0,0562**	**(1,7050)**
- diluted profit per share of Parent Undertaking Shareholder in PLN		0,0562	(1,7050)

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2017

Other Comprehensive Income	For the year ended:	
	31 December 2017	31 December 2016 reclassified data *
Net loss	**(1 425)**	**(22 703)**
Other comprehensive income		
Items being reclassified into a profit/loss in next financial periods:	17	11
Foreign exchange gains and losses from conversion	17	11
Other comprehensive net income being reclassified into a profit/loss in next financial periods	**17**	**11**
Items not being reclassified into a profit/loss in next financial periods:	(157)	229
Actuarial profits/losses concerning the programmes of particular benefits	(157)	239
Other	-	(10)
Income tax concerning other comprehensive income	30	(44)
Another comprehensive net income not being reclassified into a profit/loss in next financial periods	**(127)**	**185**
Other comprehensive net income	**(110)**	**196**
Total income for the period	**(1 535)**	**(22 507)**
Total income concerning:		
Parent Undertaking Shareholders	**637**	**(22 456)**
Non-Controlling Shareholders	**(2 172)**	**(51)**
Total Comprehensive Income	**(1 535)**	**(22 507)**

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF THE FINANCIAL STANDING

As at 31 December 2017

Assets	Note	As at: 31 December 2017	As at: 31 December 2016 reclassified data *
Fixed assets		**244 851**	**230 384**
Intangible assets	19	32 924	32 986
Tangible fixed assets	20	208 899	194 037
Investment real estates	22	852	880
Deferred tax assets	15.1	2 176	2 481
Current assets		**46 302**	**46 135**
Inventories	28	3 303	3 124
Receivables due to deliveries and services	29	29 452	29 812
The other receivables	29	895	1 334
Receivables due to income tax	29	482	108
The other financial assets		-	-
Prepayments		491	878
Cash and other pecuniary assets	31	11 679	10 879
Total Assets		**291 153**	**276 519**

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

Liabilities and Equity	Note	As at: 31 December 2017	As at: 31 December 2016 reclassified data *
Equity (Parent Undertaking Shareholders)		**123 152**	**122 515**
Share capital	32	53 141	53 141
Inventory capital	33	96 144	96 144
Exchange differences due to converting a foreign entity	33.1	259	242
Retained earnings		(26 392)	(27 012)
Capital of non-controlling Shareholders	33.3	**6 032**	**7 851**
Total equity		**129 184**	**130 366**
Long-term liabilities		**81 423**	**47 227**
Reserves due to deferred income tax	15.1	1 909	1 904
Reserves for liabilities due to employee benefits	27,35	4 039	4 210
The other reserves	35	592	554
Credits and loans	34	62 307	26 625
Due to leasing	21	2 138	2 657
The other liabilities	36.1	1 286	3 774
Long-term accruals	36.3	9 152	7 503
Short-term liabilities		**80 546**	**98 926**
Reserves for liabilities due to employee	27,35	1 110	1 032
The other short-term reserves	35	417	953
Credits and loans	34	19 511	47 433
Due to deliveries and services	36.2	32 210	27 023
Due to leasing	21	2 190	2 074
Due to income tax	36.2	431	73
The other liabilities	36.2	19 450	16 151
Short-term accruals	36.3	5 227	4 187
Total Liabilities and Equity		**291 153**	**276 519**

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

ITEMS	Note	For the year ended: 31 December 2017	31 December 2016 reclassified data *
Cash flows from operating activities			
Gross loss		**(42)**	**(20 919)**
Total adjustments		**23 752**	**39 083**
Amortisation and depreciation		14 909	14 241
Exchange gains (losses)		3	(2)
Interest and profit sharing (dividends)		3 989	2 381
Profit/loss on investment activities		-	(15)
Change in reserves	37	(748)	(1 017)
Change in inventory	37	(179)	122
Change in receivables	37	425	936
Change in short-term liabilities excluding credits and loans	37	9 055	13 329
Change in prepayments and accruals	37	3 056	(1 948)
Other adjustments - commissions on loans, bonds, impairment	37	(6 075)	11 613
Income tax paid	37	(683)	(557)
Net cash flows from operating activities		**23 710**	**18 164**
Cash flows from investment activities			
Inflows		**140**	**5 157**
Disposal of intangible assets and tangible fixed assets		140	97
Other investment inflows – deposits above 3 months		-	5 060
Outflows		**24 012**	**59 357**
Purchase of intangible assets and tangible fixed assets		22 875	31 219
Purchase of financial assets in related entities adjusted for acquired cash	37	1 137	28 138
Other investment outflows – deposits above 3 months		-	-
Net cash flows from investment activities		**(23 872)**	**(54 200)**
Cash flows from financial activities			
Inflows		**21 277**	**53 808**
Net inflows from the issue of shares and other capital instruments as well as additional payment for capital		-	-
Credits and loans		21 277	53 808
Outflows		**20 312**	**23 245**
Credits repayment		16 169	19 011
Purchase of debt securities		-	-
Obligations payment due to the contracts of financial leasing		2 529	2 481
Interest		1 614	1 753
Loan fees		-	-
Cash flows from financial activities		**965**	**30 563**
Total net cash flows		**803**	**(5 473)**
Balance sheet change in cash including:		**800**	**(5 471)**
Change in cash due to exchange differences		**3**	**(2)**
Cash at the beginning of the period	31	**10 879**	**16 350**
Cash at the end of the period	31	**11 682**	**10 877**
cash with a limited possibility of disposing			4 920

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

(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 1 January 2017	**53 141**	**96 144**	**242**	**(15 502)**	**134 025**	**7 851**	**141 876**
Error correction	**-**	**-**	**-**	(11 510)	(11 510)	**-**	(11 510)
As at 1 January 2017 after Adjustment	**53 141**	**96 144**	**242**	**(27 012)**	**122 515**	**7 851**	**130 366**
Results for the period	-	-	-	747	**747**	(2 172)	**(1 425)**
Other comprehensive income, including:	-	-	17	(127)	(110)	-	(110)
Exchange differences due to converting a foreign entity	**-**	**-**	17	**-**	17	-	17
Actuarial profits/losses concerning the programmes of particular benefits	**-**	**-**	**-**	(127)	(127)	-	**(127)**
Others	**-**	**-**	**-**	-	-	-	**-**
Comprehensive income for the period	**-**	**-**	**17**	**620**	**637**	**(2 172)**	**(1 535)**
Increasing the capital in the Company	-	-	-	-	-	353	**353**
Costs of obtaining capital	-	-	-	-	-	-	**-**
As at 31 December 2017	**53 141**	**96 144**	**259**	**(26 392)**	**123 152**	**6 032**	**129 184**

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 1 January 2016	**53 141**	**96 144**	**231**	**(4 545)**	**144 971**	**7 902**	**152 873**
Results for the period	-	-	-	(22 652)	**(22 652)**	(51)	**(22 703)**
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**	**(22 467)**	**(22 456)**	**(51)**	**(22 507)**
Increasing the capital in the Company	-	-	-	-	-	-	**-**
Costs of obtaining capital	-	-	-	-	-	-	**-**
As at 31 December 2016 reclassified data *	**53 141**	**96 144**	**242**	**(27 012)**	**122 515**	**7 851**	**130 366**

*The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

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 principal object of the Group's business is:

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

The Consolidated Financial Statements of the Group cover the year ended 31 December 2017 and It contains comparative data for the year ended 31 December 2016.

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 duration of the parent undertaking as well as of the entities that constitute 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, ie after 31 December 2017.

Furthermore, the Management Board of the parent entity has noticed significant uncertainty which may cause significant doubt as to whether the Group is able to continue its business due to the factors described below.
The following events pose a potential threat:

- for the twelve months ended December 31, 2017, the Group reported a net loss of PLN 1,425,000. The Group's short-term liabilities at the end of 2017 exceeded current assets by PLN 34,244 thousand.
- In loan agreements concluded by the Issuer with banks BGŻ BNP Paribas S.A., Bank Zachodni WBK S.A. and Raiffeisen Bank Polska S.A. financial indicators are listed, the failure to fulfill which may result in a change of the terms of the contract or even its termination. As at December 31, 2017, the Issuer exceeded the limit values of the financial ratio recorded in the agreement with Raiffeisen Bank Polska S.A. As a result of non-performance of long-term liabilities, the amount of PLN 7,499,000 PLN, resulting from the investment loan agreement, was made due and payable. On the basis of negotiations with the Banks, the Management Board does not expect any loans to be made due and payable.

The Group's cash balance as at December 31, 2017 amounted to PLN 11,679 thousand, which in the opinion of the Management Board is a safe level considering the liquidity risk of the Capital Group.
In 2017, a long-promised reform of the health care system in Poland, which was announced by the Law and Justice Government, was introduced. On October 1,2017 the network of hospitals began operating under the Act of April 26, 2017 on the so-called hospital network amending the Act of 27 April 2008 on health care services financed from public funds (Journal of Laws of 2016, item 1793 as amended) hereinafter referred to as 'hcs'.

The Act introduces a system of basic hospital security of healthcare services (the Act), under which health centers from a given province were qualified to one of six levels of security (1st, 2nd and 3rd grade hospitals, oncological or pulmonary hospitals, pediatric hospitals and nationwide hospitals), creating so-called a network of hospitals. For each of the security levels, separate qualification profiles have been identified that allow for the assignment of the service provider.

Pursuant to Art. 95n of the Health Care Services Act, lists of service providers qualified for individual levels of the security system, indicating all profiles of the security system and additional scopes or types within which they will provide health care services in the security system will be published in the Public Information Bulletin by the directors of relevant branches provincial National Health Fund. These lists will be published every 4 years until March 27 and will be effective from July 1. The only exception is the first list that has already been published and will apply from October 1, 2017 to June 30, 2021. This list will, in principle, remain unchanged throughout the qualification period.

As part of the new system, hospital treatment services, highly specialized services, outpatient specialist care will be provided, but only implemented in outpatient clinics, medical rehabilitation carried out in a center or a day or stationary ward, drug programs, chemotherapy, and night and holiday healthcare.

The existing contracts for health services covered by the Act were in force until 30 September 2017.
From 1 October 2017, health services were included in the Act, with the provison that service providers no longer have to meet the requirements set out in their previous offers that have ceased to apply, and instead they have to meet only the minimum equipment and personnel requirements specified in individual package regulations.

At the same time, the legislator pointed out that the existing contracts for the outpatient specialist care, in the scope that was not included in the hospital network, will be in force until 30 June 2018 - similar to contracts for psychiatric care and addiction treatment and emergency medical services.

Hospitals qualified for the network are guaranteed a four-year contract with the NHF.

The basic way of settling health benefits under the Act is to be so-called flat rate system. It will be determined annually, and in the first year, the basis for the calculation will be reported and accounted for by service providers in 2015, including valuations for the period 2015-2017. The lump sum will change in subsequent accounting periods by including the amount of benefits reported for the previous year. The lump sum will also depend on the quality parameters, for example, institutions that hold a Quality Monitoring Center certificate or have their own diagnostic laboratory can expect more funding.

In addition to the lump sum, the amendment provides for the possibility of introducing benefits settled separately, on the current basis. The list of these benefits is specified in the Regulation and covers, among others, arthroplasty, cataract surgery, drug programs, chemotherapy, hospital emergency departments, Night Healthcare Services, benefits provided as part of the diagnostic and oncological treatment package.

Night and holiday health care will in principle be provided only by healthcare providers qualified to the hospital's basic health care system. Exceptionally, in the absence of proper provision of these services, it will be permissible to conclude contracts with other providers through a bid or bargaining contest.

All hospitals in the Group, according to the published list of 27 June 2017, found themselves in the "network" and will continue to provide health care services as part of public financing by the National Health Fund, which is a positive direction for changes in the context of the changing legal and business environment.

The new NHF settlement system is largely based on a monthly lump sum for services rendered. The

value of this lump sum was determined on the basis of the amount of NHF contracts in 2015 plus the surplus paid for 2015. Inclusion of excess pay was positive for the Group from the perspective of not only the value, but also the certainty of getting all the money for the services provided. The NHF made payments for the limited-time overdrafts, i.e. not those that save lives with great caution and often with a delay. The value of NHF financing of the services provided in the new system increased the Group's sales revenue by approximately 4-5%. The scope of the Group's activity and its scale did not change significantly after the introduction of the so-called "Hospital network".
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. CareUp B.V. has provided the Issuer with a written letter of financial support until March 31, 2019.

The Group regularly and continuously analyzes the maturity of financial assets and the maturity of liabilities, in particular short-term liabilities. The Issuer does not have any financial assets specifically held for the purpose of liquidity risk management in addition to short-term loans listed with maturity dates in note 34 of the Issuer's consolidated financial statements for the 2017 financial year. Additionally, attention should be paid to disclosure of long-term qualifications as short-term in the financial statements due to to break some banking indicators.
It should be emphasized that none of the banks has applied such a classification and none of the liabilities to banks and other financial institutions has been and will not be immediately payable.
In note 42.4, the Issuer presents the Group's liabilities as at December 31, 2017 and as at December 31, 2016 by maturity based on contractual undiscounted payments.
The Issuer owns financial assets such as cash and short-term receivables presented in note 42.4. Due to the nature of short-term resources, they are due within 12 months and more detailed data related to the age of these assets do not affect the financial condition and liquidity of the Issuer in the fiscal year 2017. It should be emphasized that the main source of the Group's revenues is the provision of health care services financed by the National Health Fund. Receivables related to a payer such as the NHF are regulated on an ongoing basis without any delays in monthly cycles.
The main element of short-term liabilities, in addition to the banks described above, are payments for doctors' services provided to the Group, costs of other employees of the Group, costs of medical materials and medicines, costs related to operation and maintenance of hospitals and clinics. Payment terms range from 14 to 45 days. The Issuer regularly and constantly analyzes the aging of liabilities and there are no notorious cases of failure to meet the payment deadlines set by the contracts or expressed on invoices and other documents.
It should also be noted that the Issuer's possession of a letter of support from a majority shareholder, which is the most important asset for the liquidity management of the Issuer's Capital Group and the risks associated with it, given the financial condition of the listed shareholder.

The Management Board of EMC Instytut Medyczny SA has been implementing corrective measures to improve the financial results of all medical units. 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,
- standardizing all procedures carried out 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,
- centralizing purchases in both operating and investment activities,

(in PLN thousand, unless otherwise stated)

- acquiring new medical units to help cover a large range of existing fixed costs within the group,
- cooperating with other medical companies within Penta portfolio to share best operational practices and economic activities.

Financial plans and projections for future cash flows for 2018 prepared by the Management Board of the parent undertaking do not indicate any 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.

3. PERIODS FOR WHICH THE FINANCIAL STATEMENTS ARE PRESENTED

The Financial Statements represent the period 01.01 2017 to 31.12.2017 and include comparable data for the period 01.01.2016 to 31.12.2016.

4. THE BODIES OF THE PARENT UNDERTAKING

During 2017 and until the date of preparation of the financial statements, the following changes took place in the composition of the Management Board:

- on January 10, 2017, the Supervisory Board of EMC Instytut Medyczny SA. appointed Rafał Szmuc as a member of the Management Board of the Company and entrusted him with the function of the President of the Management Board of EMC Instytut Medyczny S.A., as announced by the Issuer in the current report No. 01/2017 dated 10 January 2017,

- on November 21, 2017, Tomasz Suchowierski resigned from his position as a member of the Management Board of EMC Instytut Medyczny SA effective April 30, 2018, which the Issuer announced in the current report No. 38/2017 of November 21, 2017.

As at December 31, 2017 and as at the date of publication of this report the Management Board was made up of:

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

In the course of 2017 and until the Financial Statements were prepared, the following changes took place in the composition of the Supervisory Board:

- on September 26, 2017, Mr. Grzegorz Stępiński submitted his resignation from the position of a member of the Supervisory Board of EMC Instytut Medyczny SA, as announced by the Issuer in the current report No. 23/2017 of 22 August 2017,

- on 27 September 2017, the Extraordinary General Meeting appointed Dariusz Hołubowicz as a member of the Supervisory Board of EMC Instytut Medyczny SA, about which the Issuer informed in the current report No. 27/2017 of 27 September 2017,

- on November 5, 2017, Mr. Jędrzej Litwiniuk resigned from the position of a Member of the Supervisory Board of EMC Instytut Medyczny SA, which the Issuer announced in the current report No. 30/2017 of October 23, 2017,

- on November 6, 2017, the Extraordinary General Meeting appointed Jędrzej Socha as a Member of the Supervisory Board of EMC Instytut Medyczny SA, which the Issuer announced in Current Report No. 35/2017 of 6 November 2017,

- Michał Hulbój and David Soukup were appointed Supervisory Board members of EMC Instytut Medyczny SA by the Extraordinary General Meetingon on December 13, 2017, and on January 1, 2018, respectively which the Issuer announced in the current report no. 43/2017 of 13 December 2017.

As at December 31, 2017 the Supervisory Board was made up of:

- Vaclav Jirkú Chairman of the Supervisory Board
- Mateusz Słabosz Member of the Supervisory Board
- Attila Vegh Member of the Supervisory Board
- Dariusz Hołubowicz Member of the Supervisory Board
- Jędrzej Socha Member of the Supervisory Board
- Michał Hulbój Member of the Supervisory Board

As at the date of publication of this report the Supervisory Board was made up of:

- Vaclav Jirkú Chairman of the Supervisory Board
- Mateusz Słabosz Member of the Supervisory Board
- Attila Vegh Member of the Supervisory Board
- Dariusz Hołubowicz Member of the Supervisory Board
- Jędrzej Socha Member of the Supervisory Board
- Michał Hulbój Member of the Supervisory Board
- David Soukup Member of the Supervisory Board

The Audit Committee, which operates within the structure of the Supervisory Board, consists of:

- David Soukup Chairman of the Audit Committee
- Michał Hulbój Member of the Audit Committee
- Vaclav Jirkú Member of the Audit Committe

(in PLN thousand, unless otherwise stated)

5. THE GROUP'S STRUCTURE

Subsidiaries as at 31 December 2017 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	Irlandia	April 2007	300.300	100,00%	100,00%
EMC Silesia Sp. z o.o.	Katowice	November 2008	12.735	65,82%	65,82%
PCZ Sp. z o.o. w Kowarach	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	13.200	100,00%	100,00%
„Zdrowie" Sp. z o.o.**	Kwidzyn	May 2013	39.832	87,59%	87,59%
Regionalne Centrum Zdrowia Sp. z o.o.	Lubin	February 2014	51.730	100,00%	100,00%

* On 8 June 2017, the increase in the capital of the subsidiary EMC Piaseczno Sp. z o.o. was registered in the National Court Register. Resolution of the Extraordinary General Meeting of Shareholders on the increase of share capital in a subsidiary EMC Piaseczno Sp. z o.o. was taken on February 17, 2017. The share capital was increased by PLN 2,600,000 PLN by creating 2,600 shares with a nominal value of PLN 1 thousand. All shares in the share capital of EMC Piaseczno Sp. z o.o. were taken up by the sole shareholder - EMC Instytut Medyczny SA.

** On 29 December 2017, the increase in the capital of the subsidiary Zdrowie Sp. was registered with the National Court Register. z o.o. Resolution of the Extraordinary General Meeting of Shareholders on the increase of share capital in a subsidiary, Zdrowie Sp. z o.o. was taken on June 1, 2017. The share capital was increased by PLN 3,000,000 PLN by creating 6000 shares with a nominal value of PLN 500 each. EMC Instytut Medyczny SA took up 5,294 shares in the share capital of Zdrowie Sp. z o.o.

In the financial year for which the financial statements were prepared, the merger of the following companies: EMC Instytut Medyczny SA (acquiring company) with Centrum Medyczne "Medyk" Sp. z o.o. (the company being acquired) and the company "Q-MED" Sp. z o.o. (acquired company) and NZOZ Sp. z o.o. "Zawidawie" (acquired company). The Issuer is a 100% shareholder of the companies being acquired.

The merger of the companies took place pursuant to art. 492 § 1 (1) in connection with art. 516 § 6 of the Code of Commercial Companies, by transferring all assets of Centrum Medyczne "Medyk" Sp. z o.o., "Q-MED" Sp. z o.o. and NZOZ Sp. z o.o. "Zawidawie" on the company EMC Instytut Medyczny SA. On August 2, 2017, the District Court for Wroclaw Fabryczna VI Division of the National Court Register made an entry, resulting in EMC Instytut Medyczny SA taking over the rights and obligations of Centrum Medyczne "Medyk" Sp. z o.o. and the company "Q-MED" Sp. with o.o.

On November 27, 2017, the Extraordinary General Meeting of EMC Instytut Medyczny SA adopted a resolution on the merger by the takeover of NZOZ Sp. Z o.o. by EMC Instytut Medyczny SA z o. o. "Zawidawie" pursuant to art. 492 § 1(1) i.e. by transferring all assets of NZOZ "Zawidawie" to EMC Instytut Medyczny SA. On December 14, 2017, the District Court for Wroclaw Fabryczna VI Division of the National Court Register made an entry, resulting in EMC Instytut Medyczny SA taking over the rights and obligations of NZOZ "Zawidawie".

(in PLN thousand, unless otherwise stated)

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	Irlandia	April 2007	300.300	100,00%	100,00%
EMC Silesia Sp. z o.o.	Katowice	November 2008	12.735	65,82%	65,82%
PCZ Sp. z o.o. w Kowarach	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%
CM Medyk Sp. z o.o.**	Wrocław	August 2016	1.300	100,00%	100,00%
NZOZ Zawidowie 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, as a result of the preliminary agreement for the sale of shares and the use of shares from May 31, 2013, the agreement on the sale of shares in "Zdrowie" Sp. z o.o. with its registered office in Kwidzyn was concluded between the Kwidzyń District (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 – the shares owned by Kwidzyń County, the City of Kwidzyn, PEC sp. o.o. Kwidzyn, PWiK sp. o.o. in Kwidzyn. Based on the analysis conducted, the Management Board of EMC Instytut Medyczny SA has found to exercise control over the company "Zdrowie" Sp.z o.o. As a result, since that day on, the said company 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 it 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.

** 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),all these medical companies operate under the brand name Aktywne Centrum Zdrowia (ACZ).[*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 with 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 Company 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.

All the companies have been fully consolidated.

5.1 Settling the acquisition of new units in the Group

During the 12 months ended 31 December 2017, the Issuer did not acquire a new company.

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

declare that the entity authorized to audit financial statements and analyse the consolidated financial statements has been selected in accordance with regulations in force. The Management Board also declares that the above mentioned entity as – well as the auditor auditing these statements were appropriate to express an unbiased and independent opinion on the statements in accordance with regulations in force and professional norms.
Additionally, the Management Board of the Issuer declare that according to their the best knowledge the Consolidated Financial Statements and comparable data have been gathered pursuant to accountancy principles and that they present a correct, reliable and transparent picture of both material and financial standing and the financial result of the Capital Group of the Issuer. The Members of the Management Board also declare that the Report on the Issuer's activity contains a true picture of the issuer's development, achievements and financial condition, including a description of the main risks and threats.

The Consolidated Financial Statements were authorised for issue by the Management Board of the parent company on 16 March 2018.

7. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGMENTS AND ESTIMATES

7.1 Professional judgment

In the process of applying accounting principles (policy), the most significant factor, apart from accounting estimates, was professional judgment of the management.The estimates obtained as a result of this process aren'tmoften consistent with actual results. Amongst assumptions and estimates the most important ones in evaluating assets and liabilities are as follows:

(in PLN thousand, unless otherwise stated)

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

The Management Board of the Group estimates the amount of the surplus of medical services qualified as revenues on the basis of their 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 sale of products (revenues from sale of products minus write-offs due to the surplus of medical services).

The table below presents write-downs on the surplus medical services generated in 2017 as at 31 December 2017:

The Company	The surplus of medical services	Write-off	Net in revenues
EMC Instytut Medyczny SA	2 080	261	1 819
EMC Piaseczno Sp. z o.o.	719	210	509
Lubmed Sp. z o. o.	17	2	15
Mikulicz Sp. z o. o.	220	93	127
PCZ Sp. z o. o. w Kowarach	269	109	160
EMC Silesia Sp. z o. o.	21	5	16
Zdrowie Sp. z o.o.	52	41	11
Regionalne Centrum Zdrowia Sp. z o.o.	1 401	169	1 232
Total	**4 779**	**890**	**3 889**

Applying the precautionary principle, the Management Boards of the Group companies have made the above write-downs for the surplus of medical services, for which there is uncertainty of receiving payment from the NFZ

Assumptions regarding financial forecasts

In accordance with their own judgment and knowledge, the Management of the Group make 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 Estimation 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 toboth 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 that this assumption could 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 Statement have been drawn up in accordance with the historical cost principle.

These Consolidated Financial Statement are presented in PLN ("PLN") and all amounts are in PLN thousand, unless otherwise indicated.

These Consolidated Financial Statements 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 Statements have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the EU ("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 2017, item 2342) ('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 these Condensed Consolidated Financial Statements are consistent with those used in compiling the Annual Consolidated Financial Statements of the Group as at 31st December 2016 except for the new or altered standards and interpretations listed below. The following amendments to IFRSs were applied in These Consolidated Financial Statements in accordance with their effective date, however, they did not have a material impact on the information presented and disclosed in the financial statements nor did they apply to transactions concluded by the Group:

- Amendments to IAS 12 Recognition of deferred income tax assets in respect of unrealized losses. The changes clarify issues related to the formation of negative temporary differences

  in the case of debt instruments valued at fair value, an estimate of the likely future taxable income and an assessment of whether the income generated will allow to realize the negative temporary differences. The changes are retrospective.
- Amendments to IAS 7 Disclosure initiative
  The changes require the entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities. No comparative information is required for previous periods.

- Amendments to IFRS 12 Disclosures about shares in other entities being part of the Changes resulting from the review of IFRSs 2014-2016 The changes clarify that the requirements in the standard also apply to the entity's shares in subsidiaries, joint arrangements (ie joint operations or joint ventures), affiliates or structured units not consolidated, which have been classified (or included in the group for sale), which has been classified) as held for sale or as discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

The Group has not decided to apply any other standard, interpretation or amendment that has been published but has not yet entered into force in the light of European Union regulations.

10. NEW 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:

- **IFRS 9 *Financial Instruments*** (published on July 24, 2014) - applicable to annual periods that start on January 1, 2018 or later,
- **IFRS 14 *Regulatory accruals*** (published on January 30, 2014) - in line with the decision of the European Commission, the pre-approval process will not be initiated before the final version appears - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on or after 1 January 2016,

- **IFRS 15 *Revenue from contracts with customers*** (published on May 28, 2014), including amendments to IFRS 15. Date of entry into force of IFRS 15 (published on September 11, 2015) - applicable to annual periods beginning on January 1, 2018 or later,
- Amendments to IFRS 10 and IAS 28. *Transactions of sale or contribution of assets between an investor and its affiliate or joint venture* (published on 11 September 2014) - work that led to the approval of these amendments has been postponed indefinitely by the EU - the date of entry into force was postponed by the IASB for an indefinite period,
- **IFRS 16 *Leasing*** (published on January 13, 2016) - applicable to annual periods beginning on January 1, 2019 or later,
- Amendments to IFRS 4 Application of IFRS 9 *Financial Instruments*, including IFRS 4 *Insurance Contracts* (published on September 12, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- Explanations to IFRS 15 *Revenue from contracts with customers* (published on April 12, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- Amendments to IFRS *2 Classification and valuation of payment transactions based on shares* (published on June 20, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* as part *of the Changes resulting from the review of* IFRS 2014-2016 (published on December 8, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- Amendments to IFRS 1 *Application of International Financial Reporting Standards for the first time as part of the Changes resulting from the review of* IFRS 2014-2016 (published on December 8, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- IFRIC 22 *Transactions in foreign currency and advances* (published on December 8, 2016) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2018 or later,
- Amendments to IAS 40: *Transfer of investment property* (published on December 8, 2016) - applicable to annual periods beginning on January 1, 2018 or later,
- • **IFRS 17 *Insurance Contracts*** (published on May 18, 2017) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2021 or later,
- **• IFRIC 23 *Uncertainty related to the recognition of income tax*** (published on June 7, 2017) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2019 or later,
- Amendments to IFRS 9 *Contracts with features of prepayments with negative compensation* (published on October 12, 2017) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2019 or later,
- • Amendments to IAS 28 *Long-term Shares in Associates and Joint Ventures* (published on October 12, 2017) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2019 or later,
- *Changes resulting from the review of IFRS 2015-2017* (published on December 12, 2017) - until the date of approval of these Financial Statements they have not been approved by the EU - applicable to annual periods beginning on January 1, 2019 or later,
- • Amendments to IAS 19 *Change, limitation or settlement of the program* (published on February 7, 2018) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2019 or later.

The dates of entry into force are dates resulting from the content of standards announced by the International Financial Reporting Council. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of standards and are announced at the time of approval for application by the European Union.

The impact of the new regulations on the future consolidated financial statements of the Capital Group is presented below:

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board published the International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on January 1, 2018.

In 2017, the Group companies carried out a detailed assessment of the impact of the introduction of IFRS 9 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results. This assessment is based on currently available information and may be subject to changes resulting from the acquisition of rational and possible to document additional information in the period when the Company applies IFRS 9 for the first time.

Since the Group does not apply hedge accounting, the IFRS 9 standard does not apply to it in this respect.

The analysis of the standard indicates that the changes mainly concern the principles of estimating and recognizing impairment losses on financial assets (transition from the loss model to the expected loss model) for trade receivables. The Group will estimate the expected credit losses based on the analysis of the probability of incurring losses loans in individual maturity bands. Since the main recipient of the services of the Group (87.66% in 2017) is the NHF, with which the Group companies have concluded agreements according to the principles described in more detail in p. 2 of these Financial Statements.The basic method of accounting benefits under the basic hospital healthcare services system is the so-called flat rate scheme, and as the Group estimates the new standard has no material impact on the Group's financial statements.

IFRS 15 Revenue from contracts with clients

International Financial Reporting Standard 15 Revenue from contracts with clients ("IFRS 15"), which was issued in May 2014, and subsequently amended in April 2016, establishes the so-called Five Steps Model for recognizing revenues resulting from contracts with clients. In accordance with IFRS 15, revenues are recognized in the amount of remuneration which, according to the entity's expectation, is due in exchange for the transfering promised goods or rendering services to the client.

The new standard will replace all existing requirements regarding revenue recognition in accordance with IFRS. The standard applies to annual reporting periods beginning on January 1, 2018 and later.

The Group has analyzed the agreements to identify whether the records could potentially affect the moment of recognition of revenues and their amount in a given reporting period.

The Group provides medical services whose main recipient is the National Health Fund (in 2017 revenue was 87.66%), and currently revenues from these contracts are recognized when they become due, ie services performed are settled monthly.

In the Group's opinion, the new standard does not affect the moment of recognizing revenue or its amount.

(in PLN thousand, unless otherwise stated)

11. ERROR CORRECTION

In 2017, the Group adjusted the error from previous years presented in the report for the first quarter of 2017 and published in the current report No. 21/2017 dated August 11, 2017.

a) Correction of the value of relationships with patients (due to a mathematical error) recognized as a result of the valuation upon acquisition of the company

Q-Med Sp. z o.o. as at the date of taking over the company, i.e. August 1, 2016

Goodwill	690 (increase)
Relations with patients	852 (reduction)
Provision for deferred tax	162 (decrease)

b) Adjustment of amortization of relations with patients separated as a result of the valuation upon acquisition of the company

Q-Med Sp. z o.o. for the period of 5 months of 2016

Depreciation	17 (reduction)
Relations with patients	17 (increase)
Provision for deferred tax	3 (increase)
Retained earnings	14 (increase)

c) In order to correct the issue being the subject of the reservation expressed by the statutory auditor in the opinion on the consolidated financial statements of the Group for the year ended 31 December 2016; the Group adjusted the comparative data as at December 31, 2016. The reservation concerned the lack of recognition of impairment losses on property, plant and equipment in these financial statements as at December 31, 2016.

The changes made were to take into account the objection of the certified auditor, as well as to correctly reflect the information on the results and financial situation relevant to the reader.

As at December 31, 2016, the Management Board of the Company carried out tests for impairment of some cash-generating units as a result of prerequisites. Due to the homogeneity of the conducted activity, the tests were conducted at the level of companies and showed that the recoverable value of cash generating centers is lower than the carrying amount of their assets by PLN 11,524,000. In the consolidated financial statements of the Group, the Management Board did not include the impairment loss determined as a result of the test as at December 31, 2016.

In accordance with IAS 8 "Accounting principles (policy), changes in estimates and correcting errors", the comparative data in the consolidated statement of financial position of the Group as at December 31, 2016 was adjusted:

Selected data in PLN thousand	***As at 31.12.2016***		
	Data prior to Adjustment	***Adjustment***	***Data after Adjustment***
Fixed assets	**242 053**	**(11 669)**	**230 384**
Intangible assets	33 131	(145)	32 986
Tangible fixed assets	205 561	(11 524)	194 037
Investment real estates	880	-	880
Deferred tax assets	2 481	-	2 481
Current assets	**46 135**	**-**	**46 135**
Inventories	3 124	-	3 124
Receivables due to deliveries and services	29 812	-	29 812
The other receivables	1 334	-	1 334
Receivables due to income tax	108	-	108
The other financial assets	-	-	-
Prepayments	878	-	878
Cash and other pecuniary assets	10 879	-	10 879
TOTAL ASSETS	**288 188**	**(11 669)**	**276 519**
Equity (Parent Undertaking Shareholders)	**134 025**	**(11 510)**	**122 515**
Share capital	53 141	-	53 141
Inventory capital	96 144	-	96 144
Exchange differences due to converting a foreign entity	242	-	242
Retained earnings	(15 502)	(11 510)	(27 012)
Capital of non-controlling Shareholders	**7 851**	**-**	**7 798**
Total equity	**141 876**	**(11 510)**	**130 366**
Long-term liabilities	**47 386**	**(159)**	**47 227**
Short-term liabilities	**98 926**	**-**	**98 926**
TOTAL LIABILITIES AND EQUITY	**288 188**	**(11 669)**	**276 519**

The table below presents the impact of adjustments on:

• Consolidated Statement of Comprehensive Income of the Group for the year ended December 31, 2016 (published on March 10, 2017);

The adjustments described above have not affected the financial data as at 1 January 2016 and the data for individual quarters of 2016.

Revised Consolidated Statement Of Comprehensive Income of the Group for the year ended 31 December 2016 - selected data

Data in PLN thousand	*For the year ended 31.12.2016*		
	Data prior to Adjustment	*Adjustment*	*Data after Adjustment*
Revenues from sales	**277 484**	**-**	**277 484**
Net revenues from sales of products	274 601	-	274 601
Net revenues from sales of goods and materials	2 883	-	2 883
Operating expenses	**287 377**	**11 507**	**298 884**
Loss on sales	**(9 893)**	**(11 507)**	**(21 400)**
The other operating revenues	4 992	-	4 992
The other operating expenses	1 763	-	1 763
Loss on operating activities	**(6 664)**	**(11 507)**	**(18 171)**
Financial revenues	309	-	309
Financial costs	3 057	-	3 057
Loss on business activities	**(9 412)**	**(11 507)**	**(20 919)**
Gross loss	**(9 412)**	**(11 507)**	**(20 919)**
Income tax	1 781	3	1 784
Nett loss	**(11 193)**	**(11 510)**	**(22 703)**
Other total nett income	196	-	196
Total income for the period	**(10 997)**	**(11 510)**	**(22 507)**
Net loss, including:			
Parent Undertaking's Shareholders	*(11 142)*	*(11 510)*	*(22 652)*
Non-controlling Shareholders	*(51)*	-	*(51)*
Nett income including;:			
Parent Undertaking's Shareholders	*(10 946)*	*(11 510)*	*(22 456)*
Non-controlling Shareholders	*(51)*	-	*(51)*
Loss per share of Parent Undertaking Shareholders in PLN	**(0,84)**	**(0,86)**	**(1,70)**

In the 12 months ended 31 December 2017, in addition to the above, there were no adjustments or achanges in classification in relation to the principles adopted in the Financial Statements for the year ended 31 December 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 include the Financial Statement of EMC Instytut Medyczny SA and the Financial Statements of its subsidiaries prepared for the year ended 31 December 2017. 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 value is revalued.

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.

(in PLN thousand, unless otherwise stated)

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 2017	**31 December 2016**
EUR	PLN 4,1709	PLN 4,4240

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:

2017		**2016**	
Table date	**average exchange rate**	**Table date**	**average exchange rate**
31.01.2017	4,3308	29.01.2016	4,4405
28.02.2017	4,3166	29.02.2016	4,3589
31.03.2017	4,2198	31.03.2016	4,2684
28.04.2017	4,2170	29.04.2016	4,4078
31.05.2017	4,1737	31.05.2016	4,3820
30.06.2017	4,2265	30.06.2016	4,4255
31.07.2017	4,2545	29.07.2016	4,3684
31.08.2017	4,2618	31.08.2016	4,3555
29.09.2017	4,3091	30.09.2016	4,3120
31.10.2017	4,2498	31.10.2016	4,3267
30.11.2017	4,2055	30.11.2016	4,4384
29.12.2017	4,1709	30.12.2016	4,4240
yearly average exchange rate	**4,2447**	**yearly average exchange rate**	**4,3757**

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.

(in PLN thousand, unless otherwise stated)

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.

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	Doctor-patient interaction	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 payables to social security and liabilities arising from advances which will be settled by the supply 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 exceeds 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 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.

13.25 Operating segments

The activity of the Capital Group EMC Instytut Medyczny is uniform from the point of view of the type of services sold (sale of health care services), but differs in the form of providing services.
In line with this criterion, reporting segments were distinguished - Hospital care, Outpatient care, Clinical trials and by the end of 2016 - Pharmacy.

The Group's management, which analyzes the results of individual hospitals, is the main operational decision-maker responsible for allocating resources and assessing the results of individual segments and clinics at the level of detail, which allows them to be aggregated into the above-mentioned segments.

(in PLN thousand, unless otherwise stated)

As at 01.01.2017 - 31.12.2017	Hospital care	Out-Patient care	Pharmacy	Clinical tests	TOTAL
Income of the segment, including:	**256 303**	**54 155**	**-**	**1 043**	**311 501**
Total costs of the segment, including:	**266 557**	**53 099**	**-**	**1 593**	**321 248**
Amortization and depreciation	12 609	2 289	-	11	14 909
Operating profit	**5 780**	**(655)**	**-**	**(544)**	**4 582**
EBITDA*	18 390	1 634	-	(533)	19 491
Revenues / net financial expenses	(4 132)	(440)	-	(52)	(4 624)
Credit / charge to income tax	1 284	104	-	(5)	1 383
Profit/ Loss	**364**	**(1 199)**	**-**	**(591)**	**(1 425)**
Segment Assets	**244 033**	**46 839**	**-**	**281**	**291 153**
Segment Assets	**126 435**	**34 719**	**-**	**814**	**161 969**

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

As at 01.01.2016 - 31.12.2016 reclasified data *	Hospital care	Out-Patient care	Pharmacy	Clinical tests	TOTAL
Income of the segment, including:	**236 014**	**39 128**	**1 941**	**401**	**277 484**
Total costs of the segment, including:	**257 555**	**38 178**	**2 373**	**777**	**298 884**
Amortization and depreciation	12 445	1 753	36	8	14 241
Operating profit	**(17 919)**	**465**	**(336)**	**(381)**	**(18 171)**
EBITDA**	(5 476)	2 218	(300)	(373)	(3 930)
Revenues / net financial expenses	(2 948)	258	(48)	(10)	(2 748)
Credit / charge to income tax	1 328	455	1	-	1 784
Profit/ Loss	**(22 196)**	**268**	**(385)**	**(391)**	**(22 703)**
Segment Assets	**230 316**	**45 978**	**135**	**90**	**276 519**
	131 545	**13 685**	**806**	**116**	**146 153**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

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

(in PLN thousand, unless otherwise stated)

14. REVENUES AND EXPENSES

14.1 Sales revenue

Item	As at			
	I-XII 2017		I-XII 2016	
The NHF	273 059	87,66%	240 719	86,75%
Paying patients	31 475	10,11%	28 366	10,22%
Insurance companies	3 621	1,16%	2 798	1,01%
Other revenue	3 346	1,07%	5 601	2,02%
Total	**311 501**	**100,00%**	**277 484**	**100,00%**

14.2 Other operating revenues

Other operating revenues	The year ended	
	31 December 2017	31 December 2016
Profit from the sale of fixed assets	41	98
Grants	1 671	794
Released provisions	13	445
Donations	183	234
Inventory surpluses	95	97
Past-due / written-off liabilities	-	3
Compensation received, return of penalties	3 477	234
Refunds from the Ministry of Health, Labour Office, etc.	1 912	1 897
PFRON Refund	389	428
Fixed assets received free of charge	482	487
ZUS overpayment	-	28
Annual VAT adjustment	-	45
PIT tax refund	5	9
Rental payment received in advance	-	34
Impairment- periodic verification	11 524	-
Other	515	159
Total	**20 307**	**4 992**

(in PLN thousand, unless otherwise stated)

14.3 Other operating costs

Other operating costs	The year ended	
	31 December 2017	31 December 2016
Loss on disposal of property, plant and equipment	-	(3)
Revaluation of receivables	2 827	99
Other operating expenses, including:	3 151	1 667
Provisions for retirement benefits	1	-
Provisions for other liabilities	253	723
Compensations, penalties	1 821	201
Written receivables	104	162
Written outdated medicines	77	33
Donations	-	12
Cost of liquidation of fixed assets	135	91
Inventory shortages	121	91
Annual adjustment of VAT	67	-
Abandoned investments	-	-
Cost of litigation and enforcement of liabilities	226	170
Other	346	184
Total	**5 978**	**1 763**

14.4 Financial revenues

Financial revenues	The year ended	
	31 December 2017	31 December 2016
Surplus of positive exchange rates over negative	-	2
Interest	18	44
Reversal of valuation of a liability in relation to redemption	-	256
Others	8	7
Total	**26**	**309**

14.5 Financial costs

Financial costs	The year ended	
	31 December 2017	31 December 2016
Interest on loans and borrowings	3 797	2 186
Other interest	355	54
Commissions on loans and leasing	98	89
WSE operating costs	91	83
The surplus of foreign exchange losses over gains	33	4
Interest on leasing	192	196
Costs due to loan and bond sureties	1	-
Discounts on loans and bonds	-	132
Other financial expenses	83	313
Total	**4 650**	**3 057**

(in PLN thousand, unless otherwise stated)

14.6 Employee benefits costs

Employee benefits costs	The year ended	
	31 December 2017	**31 December 2016**
Remuneration	110 655	98 243
Social security costs	18 613	16 947
Retirement benefit costs	814	640
Other employee benefit costs	1 171	1 452
Total Employee benefits costs	**131 253**	**117 282**

15. INCOME TAX

	The year ended	
	31 December 2017 *	**31 December 2016 reclassified data ***
A. Gross profit / loss	(42)	(20 919)
B. Current tax	1 041	532
C. Deferred tax	342	1 252
D. Other mandatory reductions	-	-
Total income tax	1 383	1 784
Effective income tax rate (B + C) / A	(3293%)**	(9%)

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

** The effective interest rate was significantly affected by the reversal of impairment in 2016 in the amount of PLN 11,524 thousand. PLN and impairment in the amount of PLN 5,229 thousand PLN related to the verification of the value of fixed assets as at the balance sheet date December 31, 2017, which is described in detail in Note No. 20. An effective interest rate without taking into account the above transactions would amount to -22% in 2017.

The difference results from the qualification of taxable and non-taxable expenses and revenues, by tax units, in accordance with applicable law.

The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding provisions. Frequent differences in opinions regarding the legal interpretation of tax regulations both within state authorities and between state authorities and enterprises, give rise to areas of uncertainty and conflicts. These phenomena cause that the tax risk in Poland is significantly higher than that usually found in countries with a more developed tax system.

Tax settlements may be subject to inspection for a period of five years, starting from the end of the year in which the tax was paid. As a result of inspections that have been carried out so far, the Issuer's current tax settlements can be increased by additional tax liabilities. In the Issuer's opinion, as at 31 December 2017, adequate provisions were established for the recognized and measurable tax risk.

(in PLN thousand, unless otherwise stated)

15.1 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 2017	31 December 2016	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 reclassified data *	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
1.	Surplus services write-downs	1 127	2 032	906	(53)	-	-
2.	ZUS contributions unpaid	795	816	21	(311)	-	-
3.	Valuation of assets contribution	764	806	42	-	-	-
4.	Interest on current liabilities	17	-	(17)	-	-	-
5.	Provision for retirement and similar retirement benefits	1 422	1 438	16	175	-	47
6.	Interest on loans	10	19	9	(7)	-	-
7.	Write downs of receivables	548	74	(474)	5	-	-
8.	Tax losses	35	81	46	33	-	-
9.	Court affairs	34	199	165	112	-	-
10.	Overdue liabilities	51	-	(51)	396	-	-
11.	Fixed assets received free of charge	239	307	68	44	-	-
12.	Social Benefits Fund Write-off not covered by a cash contribution	49	21	(28)	10	-	-
13.	Provision for liabilities	182	40	(142)	180	-	-
14.	Excess tax depreciation on the balance	323	326	3	(8)	-	-
15.	Rent for the property lease received in advance	51	69	18	17	-	-
16.	Other	-	10	10	3	-	-
	Total gross assets	**5 647**	**6 238**	**592**	**596**	**-**	**47**
	Total net assets	**2 176**	**2 481**	**4 063**	**4 353**	**-**	**47**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

Item	Provisions due to deferred tax	Balance sheet		Profit and loss account		Comprehensive income statement	
		31 December 2017	31 December 2016 *reclassified data	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 *reclassified data	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
1.	Interest on loans	-	22	(22)	16	-	-
2.	Excess of tax depreciation over balance	2 465	2 377	88	373	-	-
3.	Receivables due to surplus services	1 251	2 091	(839)	348	-	-
4.	Valuation of loans	1	-	1	(26)	-	-
5.	Valuation of relationship with patients	979	1 040	(31)	(28)	30	-
6.	Bond valuation	176	113	63	-	-	-
7.	Borrowing costs	492	-	492	-	-	-
8.	Other provisions	16	18	(2)	(27)	-	-
	Total gross provisions	**5 380**	**5 661**	**(250)**	**656**	**30**	**-**
	Total net provisions	**1 909**	**1 904**	**(3 721)**	**(3 101)**	**-**	**-**
	Deferred tax in the income statement			**342**	**1 252**	**-**	**47**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

	2017	2016 * reclassified data
Assets due to deferred income tax:		
- due after 12 months	3 979	4 659
- due by the end of 12 months	1 668	1 579
Total Gross Assets	**5 647**	**6 238**
Deferred income tax provisions:		
- due after 12 months	5 367	5 625
- due by the end of 12 months	13	36
Total Gross Provisions	**5 380**	**5 661**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

Deferred income tax assets and provisions are netted at the level of the Group companies.

Changes in assets and deferred income tax provisions have decreased the Group's financial result for 2017 by PLN 342 thousand.

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 2017 amounts to PLN 291 thousand (as at 31 December 2016 PLN 266 thousand accordingly).

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 are 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:

Net profit (loss) per share	**The year ended 31 December 2017**	**31 December 2016**
Net profit / loss attributable to equity holders of the parent company	747	(22 652)
Average weighted number of shares	13 285 346	13 285 346
Profit/Loss per share in PLN	(0,0562)	(1,7050)
- diluted profit / loss attributable to equity holders of the parent company in PLN	(0,0562)	(1,7050)

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

(in PLN thousand, unless otherwise stated)

18. DIVIDENDS PAID AND DECLARED

Dividend on ordinary shares for the year ended 31 December 2017 as well as for the year ended 31 December 2016 was not paid.

19. INTANGIBLE ASSETS

For the year ended 31 December 2017

Item	Specification	Goodwill	Doctor-patient interaction	Concessions, patents, licenses Acquired and others		Total intangible assets
				Total	Including computer software	
I	Gross value of assets at the beginning of the period	24 499	5 939	6 434	6 401	36 872
1.	Increases due to:	-	-	1 277	1 275	1 277
a)	purchase	-	-	1 277	1 275	1 277
b)	acquisition of a subsidiary	-	-	-	-	-
c)	reclassifications	-	-	-	-	-
d)	Other corrections	-	-	-	-	-
2.	Decrease	-	-	21	84	21
II.	Gross value of intangible assets at the end of the period	24 499	5 939	7 690	7 592	38 128
III.	Cumulative depreciation (amortization) at the beginning of the period	-	634	3 252	3 291	3 886
1.	Amortization for the period including:	-	319	999	922	1 318
a)	Current depreciation - increase	-	319	1 015	1 001	1 334
b)	Redemption-reduction-sale and liquidation	-	-	-	-	-
c)	Redemption-reduction-other	-	-	15	15	15
d)	Cumulative depreciation (amortization) at the end of the period	-	-	1	64	1
IV.	Impairment losses at the beginning of the period	-	953	4 251	4 213	5 204
V.	Impairment losses at the end of the period	-	-	-	-	-
VI.	Gross value of assets at the beginning of the period	-	-	-	-	-
VII.	**Net value of intangible assets at the end of the period**	**24 499**	**4 986**	**3 439**	**3 379**	**32 924**

During the 12 months ended 31 December 2017, the Issuer purchased the Macrologic system for HR services. As at the balance sheet date, the implementation was not completed. The value of the project as at December 31, 2017 is PLN 880 thousand. In 2017, the launch of the HIS IT system started **-** it is used to support the patient as well as medical and administrative processes in medical facilities. The value of the project as at December 31, 2017 amounts to PLN 126 thousand.

The description of goodwill impairment tests is presented in Note 24**.**

(in PLN thousand, unless otherwise stated)

For the year ended 31 December 2016*

Item	Specification	Goodwill	Doctor-patient interaction	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	5 515	12 336
1.	Increases due to:	20 096	3 539	1 281	1 266	24 916
a)	purchase	-	-	323	274	323
b)	acquisition of a subsidiary	20 096	3 539	904	904	24 539
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	24 499	5 939	6 434	6 401	36 872
III.	Cumulative depreciation (amortization) at the beginning of the period	-	480	2 323	2 402	2 803
1.	Amortization for the period including:	-	154	929	889	1 083
a)	Current depreciation - increase	-	154	966	959	1 120
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	-	634	3 252	3 291	3 886
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**	**24 499**	**5 305**	**3 182**	**3 110**	**32 986**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

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(in PLN thousand, unless otherwise stated)

20. TANGIBLE FIXED ASSTETS

For the year ended 31 December 2017

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	157 886	14 192	1 641	60 293	31 979	95	279 498
1.	Increases due to:	74	35 446	5 295	17	7 402	18 510	1 269	68 013
a)	Purchase including:	74	211	810	17	3 005	16 977	1 269	22 363
b)	acquisition	-	34 989	4 229	-	4 205	1 103	-	44 526
c)	Transfers	-	246	240	-	41	429	-	956
d)	Reclassifications	-	-	16	-	151	1	-	168
2.	Decreases due to:	55	514	60	10	1 885	43 672	1 109	47 305
a)	Sale	-	-	12	-	918	-	-	930
b)	liquidation	55	-	37	-	615	-	-	707
c)	Transfers	-	-	-	-	-	43 417	1 109	44 526
d)	reclassifications	-	424	11	-	269	252	-	956
e)	other	-	90	-	10	83	3	-	186
II.	Gross value of assets at the end of the period	13 431	192 818	19 427	1 648	65 810	6 817	255	300 206
III.	Cumulative depreciation (amortization) at the beginning of the period	-	26 122	8 270	618	38 859	-	-	73 869
1.	Depreciation for the period	-	5 054	1 685	235	4 998	(1)	-	11 971
a)	Current depreciation - increase	-	5 120	1 670	243	6 514	-	-	13 547
b)	Current depreciation – increase -other	-	-	-	-	1	-	-	1
c)	Redemption-reduction-sales	-	-	12	-	815	-	-	827
d)	redemption - reduction - liquidation	-	1	31	-	572	-	-	604
e)	redemption-reduction-other	-	(1)	-	1	2	-	-	2
f)	adjustments	-	(66)	58	(7)	(128)	(1)	-	(144)
IV.	Cumulative depreciation (amortization) at the end of the period	-	31 176	9 955	853	43 857	(1)	-	85 840
V.	Impairment losses at the beginning of the period	-	9 644	466	35	1 447	-	-	11 592
1.	increases	274	4 596	86	-	443	-	-	5 399
2.	Decreases-impairment	**-**	**9 576**	**466**	**35**	**1 447**	**-**	**-**	**11 524**
VI.	Impairment losses at the end of the period	274	4 664	86	-	443	-	-	5 467
VII.	**Net value at the end of the period**	**13 157**	**156 978**	**9 386**	**795**	**21 510**	**6 818**	**255**	**208 899**

In connection with the indications of possible impairment of non-current assets in the subsidiary EMC Silesia, the Management Board of the Group decided to conduct an impairment test as at 31/12/2017 to assess their value in use.

(in PLN thousand, unless otherwise stated)

Since the company EMC Silesia is a coherent economic organism, and services are provided to external customers are homogeneous in nature, according to the Board, there is no need to extract additional units generating cash flow, s well as then testing them for impairment.

The main assumptions adopted in the impairment tests of non-current assets are as follows:

- long-term revenue growth rate	2.50%
- long-term EBIT margin	10.80%
- investment outlays in the residual period	up to the amount of depreciation
- discount rate (WACC)	8.75%
- change in working capital	(-) 17

Based on the estimation of future cash flows and a discount to the present value, the value in use of the tested fixed assets was PLN 20,111 thousand.

The value obtained is lower than the carrying amount of the tested assets adjusted by the company's working capital: (PLN 25,538 thousand - PLN 198 thousand = PLN 25,340 thousand).

PLN 20,111 thousand - PLN 25,404 thousand = PLN -5,229 thousand

The result of the test indicated that there is a reason to create a write-down for impairment of non-current assets in the amount of PLN 5,229 thousand.

The relevant adjustment was included in the report for 2017 and in the above note.

As at 31 December 2017, the Management Board of the Parent Company carried out periodic verification of the potential impairment of cash generating units of the Issuer. The tests showed that the recoverable amount of cash-generating units is higher as at the balance sheet date on December 31, 2017 than their carrying amount. In connection with the above, the Issuer's Management Board decided to reverse the impairment loss recognized as at 31/12/2016 in the amount of PLN 11,524 thousand.

(in PLN thousand, unless otherwise stated)

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
V.	Impairment losses at the beginning of the period	-	68	-	-	-	-	-	68
1.	increases	-	9 576	466	35	1 447			11 524
VI.	Impairment losses at the end of the period	-	9 644	466	35	1 447	-	-	11 592
VII.	**Net value at the end of the period**	**13 412**	**122 120**	**5 456**	**988**	**19 987**	**31 979**	**95**	**194 037**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

As at December 31, 2017, fixed assets with a net value of PLN 5,727,000 PLN were used on the basis of financial leasing agreements (as at 31 December 2016, PLN 5,534 thousand, respectively).The costs of servicing liabilities that were contracted to finance fixed assets under construction were included in the cost of their production (purchase price) amounted to PLN 17 thousand in the current financial year (in 2016, PLN 236 thousand, respectively).

(in PLN thousand, unless otherwise stated)

Information on fixed assets covered by the mortgage was disclosed in note 34.
In addition, as at December 31, 2017 and as at December 31, 2016, the Group used fixed assets based on lease and tenancy agreements.

21.LEASING

21.1 Operating lease liabilities - the Group as a lessee

As at 31 December 2017 and 31 December 2016, the Group did not have liabilities under operating lease.

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

As at 31 December 2017 and as at 31 December 2016 future minimal leasing fees under these agreements and current value of net leasing fees were as follows:

	31 December 2017		31 December 2016	
	Minimum payments	Current payments	Minimum payments	Current payments
Payable in the period of 1 year	2 354	2 190	2 257	2 074
Payable from 1 to 5 years	2 223	2 103	2 761	2 657
Payable over 5 years	36	35	-	-
Total minimum lease payments	4 613	4 328	5 018	4 731
Less financial costs	285	-	287	-
Current minimum lease payments, including	4 328	4 328	4 731	4 731
Short-term	2 190	2 190	2 074	2 074
Long-term	2 138	2 138	2 657	2 657

The value of new financial lease agreements concluded in 2017 amounted to PLN 2,112 thousand as a result medical equipment and supplies that have been provided.

22. INVESTMENT REAL PROPERTY

For the year ended 3 December 2017

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	93
1.	Depreciation for the period	28
a)	Current depreciation - increase	28
IV.	depreciation at the end of the period	121
V.	**Net value at the end of the period**	**852**

(in PLN thousand, unless otherwise stated)

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**

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 2017 and 31 December 2016, 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 2017	31 December 2016
Lubmed Sp. z o.o.	94	94
Mikulicz Sp. z o.o.	37	37
ZP Formica	935	935
Silesia Med Serwis Sp. z o.o.	85	85
Regionalne Centrum Zdrowia Sp. z o.o.	3 252	3 252
NZOZ Zawidawie	12 193	12 193
CM Medyk	1 212	1 212
Q-Med.	6 691	6 691
Total	**24 499**	**24 499**

	For the period of 12 months ended:	
	31 December 2017	31 December 2016 * reclassified data
Goodwill at the end of the period	24 499	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.	-	6 691
Total carrying amount at the end of the period	**24 499**	**24 499**

* The data was reclasified in accordance with the adjustment described in note 11 of these Financial Statements.

(in PLN thousand, unless otherwise stated)

in 2017 the Group was not recognized in goodwill.

Goodwill, created in previous periods as a result of acquisition of shares in subsidiaries, was allocated to eight cash-generating units ("CGU") 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 2017, the Group performed an 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.

The main assumptions adopted in the impairment tests of non-current assets are as follows:

- Long-term revenue growth rate	2.50%
- Long-term cost increase rate	1.60%
- Investment outlays in the residual period	up to the amount of depreciation
- Discount rate (WACC)	8.34%

The results of the tests carried out indicate that the value in use of the tested CGU is higher than the carrying value of the company, so there is no reason to create a write-down for permanent impairment of assets.

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.

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 2017	31 December 2016
Discount rate (%)	3,25	3,59
Average weighted ratio of employee mobility (%)		
Permanent contracts	3,9 - 8,5	3,1 - 8,7
Contracts for specified period	4,5 – 19,9	3,1 - 16,2
Expected remuneration increase rate (%)	0,0 – 1,6	0,1 – 1,5

ITEM/BENEFIT	retirement benefit	Jubilee award	Unused holiday
Current liability as of 1 January 2017	2 633	2 609	2 445
Acquisition of a new entity	-	-	-
Current employment costs	222	189	645
Net interest on net liabilities	86	86	-
Actuarial gains or losses	157	(19)	-
Past employment costs	-	-	-
benefits paid	(328)	(486)	-
Current liability as of 31 December 2017	**2 770**	**2 379**	**3 090**
Including:			
Short-term	573	537	3 090
Long-term	2 197	1 842	-

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	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	

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 liability for defined benefits
the year ended 31 December 2017, in PLN thousand	+1%	(144)	(144)
	-1%	161	161
the year ended 31 December 2016, in PLN thousand	+1%	(138)	(138)
	-1%	157	157

1 percentage point change in the rotation rate:	**Increase / decrease by percentage points**	**Impact on total employment costs and interest costs**	**Impact on liability for defined benefits**
the year ended 31 December 2017, in PLN thousand	+1%	(52)	(52)
	-1%	56	56
the year ended 31 December 2016, in PLN thousand	+1%	(44)	(44)
	-1%	54	54

1 percentage point change in wage growth rate:	**Increase / decrease by percentage points**	**Impact on total employment costs and interest costs**	**Impact on liability for defined benefits**
the year ended 31 December 2017, in PLN thousand	+1%	163	163
	-1%	(121)	(121)
the year ended 31 December 2016, in PLN thousand	+1%	157	157
	-1%	(106)	(106)

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 liability for defined benefits**
the year ended 31 December 2017, in PLN thousand	+1%	(105)	(105)
	-1%	116	116
the year ended 31 December 2016, in PLN thousand	+1%	(123)	(123)
	-1%	137	137

1 percentage point change in the rotation rate:	**Increase / decrease by percentage points**	**Impact on total employment costs and interest costs**	**Impact on liability for defined benefits**
the year ended 31 December 2017, in PLN thousand	+1%	(74)	(74)
	-1%	79	79
the year ended 31 December 2016, in PLN thousand	+1%	(79)	(79)
	-1%	87	87

1 percentage point change in the adopted discount rate:	Increase / decrease by percentage points	Impact on total employment costs and interest costs	Impact on liability for defined benefits
the year ended 31 December 2017, in PLN thousand	+1%	118	118
	-1%	(89)	(89)
the year ended 31 December 2016, in PLN thousand	+1%	135	135
	-1%	(86)	(86)

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

28. INVENTORIES

Inventories	As at	
	31 December 2017	**31 December 2016**
Materials	3 303	3 123
Goods	-	-
Advances for deliveries	-	1
Total	**3 303**	**3 124**

Neither in the year ended 31 December 2017 nor in the year ended 31 December 2016 did the Group create revaluation allowances for inventories.

Neither in the year ended 31 December 2017 nor in the year ended 31 December 2016 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, 2017 or in the year ended December 31, 2016. As at 31 December 2017 and 31 December 2016 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 2017	**31 December 2016**
Due to trade and service	39 883	42 022
Due to tax, subsidy, customs, social security, including:	598	449
- due to VAT	35	259
- due to CIT	482	108
- other	81	82
Other	609	870
Pursued in court	170	172
Total short-term gross receivables	**41 260**	**43 513**
Impairment losses on receivables	**10 431**	**12 259**
Total short-term net receivables	**30 829**	**31 254**

(in PLN thousand, unless otherwise stated)

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

Approximately 88% 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 2017

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	11 512	49	12 259
1.	Increases due to:	2 653	1 254	-	3 907
a)	Creation	2 653	1 254	-	3 907
2.	Decreases due to:	332	5 354	49	5 735
a)	Utilization	318	387	-	705
b)	Reversal of impairment	-	4 967	46	5 013
c)	Other	14	-	3	17
II.	**write-down at the end of the period**	**3 019**	**7 412**	**-**	**10 431**

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**

Since receivables may remain unpaid, as at 31st December 2017, impairment losses on receivables of PLN 10,431 thousand were maintained (as at 31 December 2016: PLN 12,259 thousand respectively).

The table below presents analysis of trade receivables that as at 31 December 2017 and 31 December 2016 were overdue, but were not considered bad debt and were not included in write-down.

(in PLN thousand, unless otherwise stated)

As at	Total	Non-overdue receivables	Past due receivables, recoverable				
			<30 days		Total	Non-overdue receivables	<30 days
31 December 2017	29 452	28 385	291	224	89	18	445
31 December 2016	29 812	28 753	440	156	54	153	256

30. OTHER FINANCIAL ASSETS

As at 31 December 2017, no financial assets were classified as held for trading at fair value through profit or loss (as at 31 December 2016, no such qualification was also made). As at 31 December 2017, 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 2017 amounts to PLN 11,679 thousand (31 December 2016: PLN 10,879 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 2017	**31 December 2017**
Cash at hand and	64	101
Cash in bank	9 941	9 276
Deposits	1 618	1 489
Funds in transfer	56	13
Total cash and cash equivalents	**11 679**	**10 879**
change in cash resulting from foreign exchange gains/(losses)	3	(2)
Total cash and cash equivalents recognized in the consolidated statement of cash flows	**11 682**	**10 877**

(in PLN thousand, unless otherwise stated)

32. SHARE CAPITAL

32.1 Share capital

Series	Type	Number of sharea as at:	
		31 December 2017	31 December 2017
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 2017 no changes to the share capital of the Issuer occurred.

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 2017 and 31 December 2016 no conversion of bonds into shares was made.

32.1.4 Major Shareholders

As at 31 December 2017

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%

(in PLN thousand, unless otherwise stated)

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%

33. RESERVE CAPITAL

Reserve capital of PLN 96,144 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**

33.1 The other capital types

	Characteristics of capital	Total
As at 1 January 2017		**242**
Foreign exchange differences on foreign unit translation	242	
As at 31 December 2017		**259**
Foreign exchange differences on foreign unit translation	259	

	Characteristics of capital	Total
As at 1 January 2016		**231**
Foreign exchange differences on foreign unit translation	231	
As at 31 December 2016		**242**
Foreign exchange differences on foreign unit translation	242	

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 2017 there are no limitations regarding dividend payment.

33.3 Non-controlling shares

	The year ended	
	31 December 2017	**31 December 2016**
at the beginning of the period	7 851	7 902
Share in profit of subsidiaries	(2 172)	(51)
Changes in the structure of subsidiaries' shareholders	353	
At the end of the period	**6 032**	**7 851**

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 2017	**31 December 2016**	**2017**	**31 December 2017**	**31 December 2016**
EMC "Silesia " Sp. z o.o.	34,18%	34,18%	(382)	6 077	6 450
"Zdrowie" Sp. z o.o.	12,41%	12,51%	(104)	1 143	895

As at 31 December 2017 and 31 December 2016, 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.

(in PLN thousand, unless otherwise stated)

	EMC Silesia Sp. z o.o.		"Zdrowie" Sp. z o.o.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	1 333	1 170	4 020	5 495
Fixed assets	20 590	26 875	15 275	14 290
Short-term liabilities	2 295	2 750	4 780	7 733
Long-term liabilities	7 021	6 284	5 166	4 747
Capital attributable to equity holders of the parent	8 298	12 513	8 189	6 391
Capital of non-controlling shareholders	4 309	6 498	1 160	914
Revenues	9 824	8 271	34 908	34 502
Costs	16 246	8 820	35 703	33 507
Profit / Loss for the financial year	(6 422)	(549)	(795)	995
Net profit / loss attributable to equity holders of the parent company				
Net profit / loss attributable to non-controlling shareholders	(4 239)	(404)	(732)	639
Revenues	(2 200)	(210)	(104)	91
Net profit / loss for the financial year	(6 439)	(614)	(836)	730
Other comprehensive income attributable to equity holders of the parent company	18	15	(6)	47
Other comprehensive income attributable to non-controlling shareholders	9	8	(1)	7
Other comprehensive income for the financial year	27	23	(7)	54

(in PLN thousand, unless otherwise stated)

34. INTEREST-CARRYING BANK LOANS AND BONDS

Item	As at 31 December 2017				
	Total	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bank loans and credits	24 688	16 783	7 812	93	-
Loans from related entities	57 130	2 728	54 402	-	-
Total	**81 818**	**19 511**	**62 214**	**93**	**-**

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**	**-**

As at 31 December 2017

Bank	The amount of credit / loan as per contract	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
BGŻ BNP Paribas SA	2 000	374	WIBOR 1M + bank margin	14-06-2018	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	2 952	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. 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	7 750	4 640	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 CCP
BZ WBK SA	7 000	3 511	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 Śląskie, 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	The amount of credit / loan as per contract	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
BZ WBK SA	5 075	-	WIBOR 1M + bank margin	30-03-2018	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
Raiffeisen Polbank SA	12 684	10 168	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
Bank Spółdzielczy w Oleśnicy	300	-	WIBOR 1M + bank margin	13-07-2018	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	43	base rate + institution margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	118	63	base rate + institution margin	20-12-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	90	47	base rate + institution margin	20-08-2020	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	101	49	base rate + institution margin	22-06-2020	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	138	49	base rate + institution margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	128	46	base rate + institution margin	23-04-2019	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
BZWBK Leasing	113	16	base rate + institution margin	25-05-2018	Promissory note declaration, the agreement on transfer of ownership, assignment of insurance contract
Penta Hospital Poland	2 700	2 728	WIBOR 1M + margin	30-06-2018	
CareUp BV	14 340	15 177	WIBOR 1M + margin	31-12-2019	
CareUp BV	25 000	27 379	WIBOR 1M + margin	31-12-2019	
CareUp BV	11 600	11 847	WIBOR 1M + margin	31-12-2019	
Raiffeisen Polbank SA	7 000	-	WIBOR 1M + bank margin	29-06-2018	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

(in PLN thousand, unless otherwise stated)

Bank	The amount of credit / loan as per contract	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
					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
PKO Leasing	2 380	2 133	WIBOR 1M + margin	31-04-2018	blank promissory note, bill of exchange guarantee of EMC IM SA, registered pledge of items, transfer of ownership, insurance policy, assignment of insurance, other
BZ WBK SA	1 000	-	WIBOR 1M + bank margin	30-03-2018	Contractual mortgage, transfer of receivables, EMC IM SA guarantee
BZ WBK SA	500	-	WIBOR 1M + bank margin	30-03-2018	Contractual mortgage, transfer of receivables, EMC IM SA guarantee
PBS Kwidzyn	403	160	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	438	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
Total credits and loans	**114 865**	**81 819**			

As at 31 December 2016

Bank	The amount of credit / loan as per contract	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

(in PLN thousand, unless otherwise stated)

Bank	The amount of credit / loan as per contract	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
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 Śląskie, 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
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

(in PLN thousand, unless otherwise stated)

Bank	The amount of credit / loan as per contract	Loan amount remaining to be repaid	Interest terms	Repayment date	Collateral
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	A collateral 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 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 w 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**			

On March 14, 2017, the Issuer concluded an annex to the investment credit agreement in the credit account of July 12, 2016 with Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the administrative commission of the bank has been changed.

On March 14, 2017, a subsidiary of Regionalne Centrum Zdrowia Sp. z o.o. concluded an annex to the investment loan agreement in the credit account of July 12, 2016 with Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the administrative commission of the bank has been changed.

On March 15, 2017, the Issuer and subsidiaries Mikulicz Sp. z o.o., Zdrowie Sp. z o.o., concluded an annex to the Multiline agreement of May 11, 2015 along with subsequent amendments with Bank Zachodni WBK Spółka Akcyjna with its registered office in Wrocław. On the basis of the above-mentioned annex, the bank's margin has been changed and the loan repayment date has been extended until 30 September 2017.

On March 15, 2017, pursuant to the aforementioned annex with Bank Zachodni WBK Spółka Akcyjna with its registered office in Wrocław, the following subsidiaries joined the agreement as other parties: Niepubliczny Zakład Opieki Zdrowotnej Zawidawie Sp. z o.o. and Centrum Medyczne "Medyk" Sp. z o.o. which the Bank granted a loan in the current account up to PLN 1,300,000 PLN for the company Niepubliczny Zakład Opieki Zdrowotnej Zawidawie Sp. z o.o. and 275,000 PLN for the company Medico Medical Center. The aforementioned Multiline agreement has replaced the existing agreement on a bank overdraft by April 4, 2017 for the company Niepubliczny Zakład Opieki Zdrowotnej Zawidawie and has replaced the current account overdraft agreement for 20 April 2017 for Centrum Medyczne Medyk.

On 30 March 2017, the Issuer concluded a technical annex to the working capital loan agreement of 30 October 2012 in the current account with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed It has been extended until 30 April 2017.

On April 19, 2017, the Issuer made timely repayment of a non-revolving loan granted by Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw on 19 April 2013. The loan repayment was made in the amount required for the last capital installment.

On 25 April 2017, a subsidiary of Regionalne Centrum Zdrowia Sp. z o.o. has concluded a medical loan agreement with Raiffeisen - Leasing Polska Spółka Akcyjna with its registered office in Warsaw for the amount of PLN 2,380 thousand intended to finance investments. The interest on the medical loan is WIBOR 1M + the margin of the financing institution.

On 27 April 2017, the Issuer concluded a technical annex to the working capital loan of 30 October 2012 in the current account with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed. It has been extended until May 15, 2017.

On 9 May 2017, Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw informed the Issuer about the change in the loan margin due to the failure to meet the boundary conditions of the loan agreement of 12 July 2016.

On 9 May 2017, Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw, informed the Regional Health Center, the subsidiary about changing the loan margin due to the failure to meet the boundary conditions of the loan agreement of 12 July 2016.

On May 15, 2017, the Issuer concluded a technical annex to the working capital loan of 30 October 2012 in the current account with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed extended until June 14, 2017.

On 30 May 2017, a subsidiary of Regionalne Centrum Zdrowia Sp. z o.o. concluded with Pekao Leasing Spółka Akcyjna with its registered office in Warsaw (formerly Raiffeisen - Leasing Polska Spółka Akcyjna) a technical annex to the medical loan agreement.

On May 31, 2017, a subsidiary of Zdrowie Sp. z o.o. made a timely repayment of the loan granted by mLeasing Sp. z o.o. based in Warsaw, the loan agreement has been terminated.

On June 7, 2017, a subsidiary of Centrum Medyczne "Medyk" Sp. z o.o. made a repayment of the loan granted by Agencja Leasingu i Finansów Spółka Akcyjna with its registered office in Wrocław, the loan agreement has been terminated.

On June 15, 2017, the Issuer concluded a technical annex to the working capital loan of 30 October 2012 in the current account with Bank BGŻ BNP Paribas Spółka Akcyjnawith headquarters in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed, it has been extended until 30 June 2017.

On June 22, 2017, a subsidiary Regionalne Centrum Zdrowia Sp. z o.o. has concluded a technical annex to the revolving credit agreement in the current account with Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed, it has been extended until July 31, 2017.

On June 29, 2017, the Issuer concluded a technical annex to the working capital loan agreement of 30 October 2012 in the current account with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed, it has been extended until July 31, 2017.

On 14 July 2017, the subsidiary Q-Med Sp. z o.o. concluded an annex to the current account overdraft agreement with Bank Spółdzielczy seated in Oleśnica. On the basis of the aforementioned annex, the loan repayment date has been changed, it has been extended until July 13, 2018.

On 24 July 2017, a subsidiary of Regionalne Centrum Zdrowia Sp. z o.o. has concluded a technical annex to the revolving credit agreement in the current account with Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed, it has been extended until June 29, 2018, the boundary conditions for maintaining the bank's margin as well as loan collateral have been changed.

On 27 July 2017, the Issuer concluded an annex to the working capital loan agreement on 30 October 2012 with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the loan repayment date has been changed, which was extended until June 14, 2018, the bank's margin and the loan security have changed.

On 27 July 2017, the Issuer concluded an annex to the investment loan agreement of 30 October 2012 with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the above annex, the bank's margin and loan security have changed.

On 27 July 2017, the Issuer concluded an annex to the working capital credit agreement in the loan account of November 6, 2015 with BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the bank's margin and loan security have changed.

On August 8, 2017, the Issuer entered into an agreement to terminate the credit agreement agreement of 17 October 2016 with Bank BGŻ BNP Paribas Spółka Akcyjna with its registered office in Warsaw.

On August 8, 2017, the Issuer concluded an annex to the investment loan agreement of 12 July 2016 with Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw. On the basis of the aforementioned annex, the boundary conditions for maintaining the bank's margin changed and additional collateral for the loan was introduced.

On 27 September 2017, the Issuer and subsidiaries Mikulicz Sp. z o.o., Zdrowie Sp. z o.o., NZOZ Zawidawie Sp. z o.o. concluded an annex to the Multiline agreement of May 11, 2015 along with subsequent amendments with Bank Zachodni WBK Spółka Akcyjna with its registered office in Wrocław. On the basis of the aforementioned annex, the amount of the limit for particular companies and the repayment date of the loan changed, it was extended to 30 March 2018.

On November 7, 2017, the Issuer concluded an annex to the agreement on a bank overdraft with Bank Spółdzielczy seated in Oleśnica. On the basis of the above annex, the Issuer has entered into the rights and obligations of the subsidiary Q-Med Sp. z o.o.

(in PLN thousand, unless otherwise stated)

On November 21, 2017, the Issuer and subsidiaries Mikulicz Sp. z o.o., Zdrowie Sp. z o.o., NZOZ Zawidawie Sp. z o.o. have concluded a technical annex to the Multilinia agreement of May 11, 2015 along with subsequent changes with Bank Zachodni WBK Spółka Akcyjna with its registered office in Wrocław. Based on the aforementioned annex, the bank account numbers associated with the above agreement have been unified.

As at December 31, 2017, the Group exceeded the limit value of the financial ratio included in the following loan agreements:

Bank	**Contracted loan**	**Loan amount/ credit based on the agreement**	**Loan amount remaining to be repaid as at 31.12.2017**	**Interest terms**	**Repayment date**
Raiffeisen Bank Polska	Investment loan	12 684	10 168	WIBOR 1M + marża banku	29-07-2022
Raiffeisen Bank Polska	Overedraft	7 000	-	WIBOR 1M + marża banku	29-06-2018

Due to failure to meet contractual conditions, in accordance with art. 69 of IAS 1, the Group qualified the long-term part of the above-mentioned investment loans in the amount of PLN 7,949 thousand. to short-term liabilities (as at 31 December 2016, the amount of long-term loans qualified as short-term liabilities amounted to PLN 21,000,000).

The aforementioned loans were not subject to maturity despite the failure to meet the financial conditions as at December 31, 2017. On the basis of talks with the Banks and due to only a slight exceeding of the ratio, the Management Board does not expect any loans to be due.

Loans

Under a framework loan agreement concluded on September 25, 2013 with CareUp B.V. with its registered office in Amsterdam, the Issuer, on January 12, 2017, requested a loan in the amount of PLN 6,600,000. PLN. The amount was credited to the Issuer's bank account on 19 January 2017.

Pursuant to the framework loan agreement concluded on July 2, 2017 with Penta Hospitals Poland, the Issuer received PLN 2,000,000 to the bank account on 3 July 2017 and the Issuer received the amount of PLN 700,000 PLN on July 12, 2017.

Based on the framework loan agreement concluded on August 1, 2017 with CareUp B.V. with its registered office in Amsterdam, the Issuer received the amount of PLN 1,600 thousand to the bank account, on August 3, 2017, the Issuer received the amount of PLN 4,000 thousand on August 4, 2017; PLN 4,000,000 on 19 September 2017 and the amount of PLN 2,000,000 on November 15, 2017.

(in PLN thousand, unless otherwise stated)

35. PROVISIONS

35.1 Change in provisions for outstanding claims

As at December 2017

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	2 072	2 138	554	-	4 764
1.	Increase due to:	178	32	67	-	277
a)	Acquisition of a subsidiary	-	-	-	-	-
b)	Creation	178	32	67	-	277
c)	Reclassification	-	-	-	-	-
2.	Decrease due to:	53	328	29	-	410
a)	Usage	-	-	29	-	29
b)	Dissolving unnecessary one	53	328	-	-	381
c)	Reclassification	-	-	-	-	-
II.	**Provisions at the end of the period**	2 197	1 842	592	-	4 631
	Short-term					
I.	Provisions at the beginning of the period	560	472	229	724	1 985
1.	Increase due to:	141	119	-	21	281
a)	Acquisition of a subsidiary	-	-	-	-	-
b)	Creation	141	119	-	21	281
c)	Reclassification	-	-	-	-	-
d)	Other	-	-	-	-	-
2.	Decrease due to:	128	54	200	357	739
a)	Usage	-	-	200	332	532
b)	Dissolving unnecessary one	128	54	-	-	182
c)	Reclassification	-	-	-	-	-
d)	**Provisions at the end of the period**	-	-	-	25	25
II.	**Short-term**	573	537	29	388	1 527

(in PLN thousand, unless otherwise stated)

As at 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
c)	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)

36. OTHER LIABILITIES, TRADE LIABILITIES AND PREPAYMENTS

36.1 Other long-term liabilities

Long-term liabilities	As at	
	31 December 2017	31 December 2016
-liabilities due to the amount to be paid for the shares in the company "Zdrowie" Sp. z o.o.	-	1 287
- valuation of liabilities due to the amount to be paid for shares in "Zdrowie" Sp. z o.o	-	(30)
- liabilities due to using shares in „Zdrowie” Sp. z o.o.	-	14
- valuation of liabilities due to the amount to be paid for using shares „Zdrowie” Sp. z o.o.	-	(1)
- 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.)	-	-
- liabilities from acquisition of shares in subsidiaries	-	1 218
Total	**1 286**	**3 774**

36.2 Trade and other short-term liabilities

Short-term liabilities	As at	
	31 December 2017	31 December 2016
Due to trade and service	32 210	27 023
Due to CIT	431	73
Other liabilities, such as:	19 450	16 151
- due to VAT	116	183
- due to ZUS	7 660	7 687
- due to PIT	1 602	1 495
- due to PFRON [National Disabled Persons Rehabilitation Fund]	45	35
- due to real estate tax	1	-
- due to Payroll	5 919	5 274
- reimbursement of the grant from the Marshal's Office in Gdańsk	68	68
- liabilities due to lease of Shares in „Zdrowie” Sp. Z o.o.	14	28
- liabilities due to contractual penalty (Starostwo Powiatowe w Lubinie)	1 300*	-
- liabilities from acquisition of shares in subsidiaries	2 679	1 269
- other	46	112
Total	**52 091**	**43 247**

* The liability was described in note 39.1.

(in PLN thousand, unless otherwise stated)

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 2017 and 31 December 2016, 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 2017	31 December 2016
Long-term, such as:	**9 152**	**7 503**
Subsidies for the purchase of fixed assets	6 915	4 615
Settlement of fixed assets received free of charge	786	1 000
Rent for the property lease received in advance	1 451	1 888
Short-term, such as:	**5 227**	**4 187**
Subsidies for the purchase of fixed assets	949	671
Settlement of fixed assets received free of charge	586	425
Provisions for unused holidays	3 090	2 445
Rent for the property lease received in advance	436	436
Provisions for bonuses	165	209
Other	1	1
Total	**14 379**	**11 690**

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 2017	The year ended 31 December 2016 reclassified data *
Receivables	**Balance sheet change in long- and short-term receivables**	**425**	**(1 865)**
	Taking control over new subsidiaries	-	2 792
	Change in receivables in the statement of cash flows	**425**	**936**
Liabilities	**Balance sheet change in operating liabilities excluding credits and loans**	**5 595**	**11 044**
	Liabilities due to financial lease	403	156
	Taking control over new subsidiaries	-	(1 205)
	Change in investment liabilities	1 948	(2 336)
	Amount paid for shares in subsidiaries	1 109	5 641
	Other	-	29
	Change in operating liabilities in the cash flow statement	**9 055**	**13 329**
Inventories	**Balance sheet change in inventories**	**(179)**	**(171)**
	Taking control over new subsidiaries	-	293

(in PLN thousand, unless otherwise stated)

	Specification	The year ended 31 December 2017	The year ended 31 December 2016 reclassified data *
	Change in inventories in the statement of cash flows	**(179)**	**122**
Provisions	**Balance sheet change in provisions**	**(591)**	**(838)**
	Taking control over new subsidiaries	-	(418)
	Elimination of changes in provisions charged to comprehensive income	(157)	239
	Change in provisions in the statement of cash flows	**(748)**	**(1 017)**
Accruals	**Balance sheet change in Accruals**	**(3 076)**	**(1 807)**
	Taking control over new subsidiaries	-	63
	Elimination of fixed assets received free of charge in a given period	(20)	(204)
	Change in accruals in the statement of cash flows	**3 056**	**(1 948)**
Other adjustments	Commissions on loans paid	42	89
	Elimination of bond valuation	178	-
	Impairment	(6 295)	11 524
	Other adjustments in the statement of cash flows	**6 075**	**11 613**
Income tax paid	**Balance sheet change in liabilities from income tax**	**358**	**-**
	Income tax for a given year	(1 041)	(557)
	Income tax paid in the statement of cash flows	**(683)**	**(557)**
Expenditure on acquisition of financial assets in related entities	Amount paid for shares in „Zdrowie" Sp. z o.o.	28	70
	Amount paid for shares in companies such as: NZOZ Zawidawie Sp. z o.o., CM Medyk Sp. z o.o., Q-Med. Sp. z o.o	1 109	30 089
	Cash at subsidiaries as at the date of taking control	-	(2 021)
	Expenditure on purchasing financial assets in related entities	**1 137**	**28 138**

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

38. INVESTMENT LIABILITIES

The Issuer has undertaken to incur capital expenditures resulting from the following investment agreements:
1) Preliminary agreement of May 31, 2013 for the sale and use of shares in Spółka "Zdrowie" Sp. z o.o. with the district of Kwidzyń, the city of Kwidzyń, PEC Sp. z o.o. in Kwidzyń, PWiK Sp. z o.o. The conclusion of the contract was announced in the current report No. 53/2013 of May 31, 2013.

1) As a result of concluding the above agreement, the Issuer uses the shares of "Zdrowie" Sp. z o.o. which remain the property of the City of Kwidzyn, PEC Sp. z o.o. in Kwidzyn, PWiK Sp. z o.o. After the expiry of the five-year period, ie until 1 June 2018, the Final Agreement for the purchase of shares will be concluded, for the amount established in the preliminary agreement, as a result of which the Issuer will acquire the shares previously used. In the event that the Issuer fails to enter into the final agreement on time, and in the event of the waiver of the use of shares, the Issuer loses the advance payment, and the owners of shares may demand payment of a contractual penalty in the amount of PLN 2,000,000. PLN in proportion to the number of shares.
2) 2) As a result of the preliminary agreement on the sale of shares and use of shares as of 31 May 2013, based on the share purchase agreement for the company "Zdrowie" Sp. z o.o. with its registered office in Kwidzyn of 8 April 2016, which was concluded between the Kwidzyński District (the

Seller) and the Issuer (the Buyer), the Issuer undertook to invest a minimum of PLN 10,000,000 until 30 June 2018 in raising the hospital infrastructure standard and adapting to the applicable requirements. The indicated works have already begun and there is no risk of non-compliance with the said undertaking. Currently, the level of work progress is 85%.
3) The Agreement for the purchase of 100% shares in Regionalne Centrum Zdrowia in Lubin of February 11, 2014 (the contract). The conclusion of the contract was announced in the current report No. 24/2014 of 11 February 2014.

On 18 September 2017, the Issuer concluded with the Lubin County Poviat an agreement before the District Court in Legnica, 6th Commercial Division regarding the dispute over the implementation of the share sale agreement of February 11, 2014.

Under the agreement, the Issuer undertook to carry out the following investments: to renovate the technical are of the hospital (within 12 months from the date of conclusion of the contract), to establish a Hospital Emergency Department with an airstrip, to renovate, modernize and adapt individual hospital rooms, to improve the standard patients' rooms, to purchase equipment and appliances (within 36 months from the date of conclusion of the contract).

Bearing in mind that the investments indicated in the contract (investment value over PLN 10,000,000) have been made tolarge extend and that the cash resources involved by the Issuer have exceed the amount of the contractual obligation (the value of the completed investment was over PLN 30,000,000) as part of the settlement, the Issuer undertook to pay to Poviat Lubinski a contractual penalty of PLN 1,500 thousand due to non-performance of the investment within the period specified in the agreement, of which on December 29, 2017, the Issuer made a partial repayment of PLN 200,000. As at the balance sheet date, the balance is 1,300,000 PLN.

On the basis of a settlement, the Issuer concluded an annex to the share sale agreement of February 11, 2014, under which the investments covered by the Adjustment Program prepared for the company RCZ Sp. z oo, constituting an annex to the contract, and investments defined by statutory provisions specifying the requirements to be met by the premises and facilities of the entity performing medical activities (including in particular those resulting from the Act of 15 April 2011 on Medical Activity and Regulation of the Minister of Health of 26 June 2012 on detailed requirements that should be met by the premises and equipment of the entity performing medical activities), will be implemented within the time limits specified by statutory provisions, however, not later than on September 29, 2018.

39. CONDITIONAL LIABILITIES

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

39.1 Court cases

In 2017 and by the date of signing this report, as far as EMC Instytut Medyczny SA and the companies from the EMC Group are concerned, there were no proceedings pending before the court, arbitration body or public administration body regarding liabilities or receivables of EMC Instytut Medyczny SA or its subsidiary whose unit and total value would be at least 10% of the equity of EMC Instytut Medyczny SA
Typical litigations in which companies from the EMC Group participate include disputes related to patients' claims. Potential claims are covered by a Civil Liability insurance policy of medical entities. The Civil liability insurance of the medical entity secures the companies from the EMC Group against the financial consequences of unfavorable resolution of the dispute.
The value of litigation, where the risk of losing is assessed as low is not taken into account in the process of creating provisions for damages, in the case of disputes whose risk of losing is assessed as high creation of the reserve is determined by the insurer's share in the dispute as one of the defendants.
In 2017,litigation was identified as having a high risk of losing, while the insurer is co-respondent in the case and the value of the dispute does not exceed the guarantee sums resulting from the obligatory civil liability policy and the voluntary third party liability insurance policy.

The above makes us believe that the potential negative result of disputes on the financial result is relatively low
In policies binding in 2017, the guarantee sum of the mandatory third-party liability insurance of the medical entity amounted to EUR 100,000 per event and EUR 500,000 for all events during the insurance period. In the case of a claim that may exceed the first limit of the liability (ie EUR 100,000), further damages are paid by the insurer under a voluntary policy, where the guarantee sum is EUR 500,000 per event and EUR 1,000,000 for all events. In accordance with the law, the EMC Group holds compulsory third-party liability insurance for each medical entity and the Management Board has decided to purchase voluntary third-party liability insurance with the maximum amounts of the guarantee sums on the Polish market that have been mentioned above.

Each subsequent claim paid from the thord-party insurance policy of a given medical entity is first paid from the compulsory third-party liability insurance up to the amount of EUR 100 thousand (unless the total amount of withdrawals from this policy exceeds EUR 400thousand, in such a case, the difference between EUR 500 thousand and the sum of compensations will remain), and if this limit is exhausted the compensation is paid out of voluntary insurance.
The Management Board of the Group monitors the risks related to court cases concerning so-called medical errors on an ongoing basis. In cooperation with an insurance broker, the insurer as well as a law firm, the most effective solutions are developed. At the stage of reporting the damage by the aggrieved party, all the above-mentioned parties are informed about such events. As part of the Group, the services are provided by many specialists in all areas of medicine. Through consultations with those specialists and with medical documentation available, it is possible to predicti potential threats immediately.

39.2 Tax settlements

Currently there are no ongoing tax audits in the Group.

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 2017, 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 year ended 31 December 2017 the Issuer was the party of the following transactions with other related entities– not being a part of the Capital Group:

Party to the transaction-- key management personnel	Subject of the transaction	The amount of the transaction in the period	Balance as at 31.12.2017
BIZ Konsulting Sp. z o.o. S.K.	Services rendered for the Issuer	192	16
BIZ Konsulting Sp. z o.o. S.K.	Services rendered for the subsidiary Lubmed Sp. z o.o.	68	10
BIZ Konsulting Sp. z o.o. S.K.	Services rendered for the subsidiary Mikulicz Sp. z o.o.	48	10
BIZ Konsulting Sp. z o. o. S.K.	Services rendered for the subsidiary RCZ Sp. z o.o.	79	-
BIZ Konsulting Sp. z o.o. S.K.	Services rendered for the subsidiary PCZ Sp. z o.o. w Kowarach	36	10
Properties and More Sp. z o. o.	Services rendered for the Issuer	264	7
Properties and More Sp. z o. o.	Services rendered for the subsidiary Lubmed Sp. z o.o.	154	10
Properties and More Sp. z o. o.	Services rendered for the subsidiary Mikulicz Sp. z o.o.	45	10
Properties and More Sp. z o. o.	Services rendered for the subsidiary RCZ Sp. z o.o.	48	-
Properties and More Sp. z o. o.	Services rendered for the subsidiary PCZ Sp. z o.o. w Kowarach	32	7
	Total	**966**	**80**

Party to the transaction- an entity with joint control over the Issuer	Subject of the transaction	The amount of the transaction in the period	Balance as at 31.12.2017
CareUp B.V.	Loan with interest	28 689	54 402

Party to the transaction- other related entities	Subject of the transaction	The amount of the transaction in the period	Balance as at 31.12.2017
Penta Hospitals Poland sp. z o. o.	Loan with interest	2 754	2 728
Prywatna lecznica Certus sp. z o.o.	Services rendered By the Issuer	12	15
	Total	**2 766**	**2 743**

(in PLN thousand, unless otherwise stated)

For the year ended 31 December 2016:

Party to the transaction	Subject of the transaction	The amount of the transaction in the period	Balance as at 31.12.2016
Indywidualna Praktyka Lekarska Ireneusz Pikulicki [*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
Specjalistyczna Praktyka Lekarska dr n.med. Bożena Gołębiowska [*Individual Specialist Healthcare Services Dr N.Med. Bożena Gołębiowska*]	Services rendered for the Issuer	253**	-
PRO-FIRMA Doradztwo Gospodarcze Agnieszka Szpara [*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

40.1 Parent company of the Group

As at 31 December 2017, the parent company of the Group was CareUp B.V., which owned 70.61% of the Issuer's ordinary shares.

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.

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 2017, entities from the PZU Group held 28.31% of the Issuer's ordinary shares, as at 31 December 2016, 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.

40.4 Other transactions involving members of the Management Board

In 2017 the Issuer did not make any material sale transactions involving Members of the Management Board.

In 2016 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

(in PLN thousand, unless otherwise stated)

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

The remuneration in the parent company	The year ended 31 December 2017	The year ended 31 December 2016
The Management Board	1 100	1 749
The Supervisory Board	12	12
The Scientific Council	-	-
Total remuneraion	**1 112**	**1 761**
The remuneration of the Management Board Members of the subsidiaries	**1 183**	**1 828**
Total	**2 295**	**3 589**

The remuneration of members of the Issuer's Management Board, including management, rendering of services and other functions performed in the parent company:

Name and surname	The year ended 31 December 2017	The year ended 31 December 2016
President of Management Board – Rafał Szmuc[1]	447	-
President of Management Board – Agnieszka Szpara[2]	-	314
Member of Management Board – Tomasz Suchowierski	268	624
Member of Management Board – Ireneusz Pikulicki[3]	-	420
Member of Management Board – Bożena Gołębiowska[4]	-	319
Member of Management Board – Maciej Piorunek[5]	385	72
Total remuneraion	**1 100**	**1 749**

[1] in the Management Board of EMC Instytut Medyczny SA from January 10, 2017
[2] in the Management Board of EMC Instytut Medyczny SA from September 1, 2014 to April 30, 2016
[3] in the Management Board of EMC Instytut Medyczny SA from April 1, 2015 to September 30, 2016
[4] in the Management Board of EMC Instytut Medyczny SA from April 1, 2015 to May 2, 2016
[5] in the Management Board of EMC Instytut Medyczny SA from October 1, 2016

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

Name and surname	Subsidiary	The year ended 31 December 2017	The year ended 31 December 2016
Agnieszka Szpara	EMC Piaseczno Sp. z o.o.	-	324
Tomasz Suchowierski	EMC Piaseczno Sp. z o.o.	3	1
Maciej Piorunek	EMC Piaseczno Sp. z o.o.	40	1
Ireneusz Pikulicki	EMC Piaseczno Sp. z o.o.	-	15
Rafał Szmuc	Lubmed Sp. z o.o.	68	-
Tomasz Suchowierski	Lubmed Sp. z o.o.	155	1
Maciej Piorunek	Lubmed Sp. z o.o.	1	1
Rafał Szmuc	Regionalne Centrum Zdrowia Sp. z o.o.	79	-
Tomasz Suchowierski	Regionalne Centrum Zdrowia Sp. z o.o.	48	-

(in PLN thousand, unless otherwise stated)

Name and surname	Subsidiary	The year ended 31 December 2017	The year ended 31 December 2016
Maciej Piorunek	Regionalne Centrum Zdrowia Sp. z o.o.	2	2
Rafał Szmuc	Mikulicz Sp. z o.o.	48	-
Tomasz Suchowierski	Mikulicz Sp. z o.o.	47	1
Maciej Piorunek	Mikulicz Sp. z o. o	2	1
Rafał Szmuc	PCZ Sp. z o.o. w Kowarach	36	-
Tomasz Suchowierski	PCZ Sp. z o.o. w Kowarach	34	1
Maciej Piorunek	PCZ Sp. z o.o. w Kowarach	2	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.	2	1
Tomasz Suchowierski	Silesia Sp. z o. o.	2	-
Maciej Piorunek	Silesia Sp. z o. o.	2	-
Tomasz Suchowierski	NZOZ Zawidawie Sp. z o.o.	-	1
Maciej Piorunek	NZOZ Zawidawie Sp. z o.o.	-	1
Total remuneraion		**571**	**354**

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

Name and surname	The year ended 31 December 2017	The year ended 31 December 2016
Mateusz Słabosz	3	3
Vaclav Jirku	2	3
Jędrzej Litwiniuk	1	2
Grzegorz Stępiński	3	3
Lenka Siklienková	-	1
Attila Vegh	3	-
Jędrzej Socha	-	-
Dariusz Hołubowicz	-	-
Michał Hulbój	-	
Total remuneraion	**12**	**12**

In the period covered by the financial statements, the Capital Group did not pay any benefits for key management personnel in the form of:
- benefits due to termination of employment,
- other long-term benefits,
- post-employment benefits,
- payments in the form of own shares.

(in PLN thousand, unless otherwise stated)

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

On 21 July 2017, the Supervisory Board of EMC Instytut Medyczny SA resolved to appoint Ernst & Young Audyt Polska Sp. z o.o. with its registered office in Warsaw as an auditor to examine the Financial Statements of EMC Instytut Medyczny SA.as well as the Consolidated Financial Statements of the Group EMC Instytut Medyczny SA for the financial years ended 31 December 2017, 31 December, 2018 and 31 December 2019 and to review the interim Condensed Financial Statements of the EMC Instytut Medyczny SA and the interim condensed consolidated financial statements of the Group EMC Instytut Medyczny SA for periods of 6 months ended on 30 June 2017, 30 June 2018 and June 30, 2019.The Issuer announced that in the current report No. 19/2017 of 24 July 2017.

Company	An entity authorised to audit financial statements	Types of statements	Date of signing the audit contract in 2016 and in 2017	Remuneration	
				2017	2016
EMC IM SA	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual Unitary and Consolidated Statement	24 July 2017	51	
		Review of The Interim Consolidated Statement		48	
	PricewaterhouseCoopers Sp. z o. o.	Annual Unitary and Consolidated	10 June 2016		50
		Review of The Interim Consolidated Statement			39
			Total	**99**	**89**
EMC Piaseczno Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary statement	15 March 2018	35	
	PricewaterhouseCoopers Sp. z o. o.	Annual unitary statement	12 September 2016		20
			Total	**35**	**20**
PCZ Sp. z o.o. w Kowarach	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary statement	15 March 2018	30	
	PricewaterhouseCoopers Sp. z o. o. .	Annual unitary statement	12 September 2016		15
			Total	**30**	**15**
„Zdrowie" Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary statement	15 March 2018	35	
	PricewaterhouseCoopers Sp. z o. o.	Annual unitary statement	12 September 2016		20
			Total	**35**	**20**
EMC Silesia Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary statement	15 March 2018	25	
	PricewaterhouseCoopers Sp. z o. o.	Annual unitary statement	12 September 2016		15
			Total	**25**	**15**
RCZ Sp. z o.o.	Ernst & Young Audyt Polska Sp. z o.o. Sp. k.	Annual unitary statement	15 March 2018	54	
	PricewaterhouseCoopers Sp. z o. o.	Annual unitary statement	12 September 2016		30
			Total	**54**	**30**

These amounts are net amounts, invoices are 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 currently aa well as 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	
The year ended 31 December 2017		
In PLN thousand	+1%	(335)
	-1%	335
The year ended 31 December 2016		
In PLN thousand	+1%	(415)
	-1%	415

42.1 Foreign exchange risk

The Group is exposed to foreign exchange 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.

(in PLN thousand, unless otherwise stated)

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

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 2017 and 31 December 2016, according to the maturity date on the basis of contractual undiscounted payments, are outlined below.

31 December 2017	On request	Under 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Interest-bearing loans and leasing	10 174	2 729	9 677	90 391	-	112 971
Trade liabilities	15 061	16 792	67	290	-	32 210
Other liabilities	-	7 340	2 686	1 286	-	11 312
	25 235	26 861	12 430	91 967	-	156 493

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

Due to failure to comply with the terms of the contracts pursuant to art. 69 of IAS 1, the Group qualified the long-term part of the above-mentioned investment loans in the amount of PLN 7,949 thousand to short-term liabilities (as at 31 December 2016, the amount of long-term loans qualified as short-term liabilities amounted to PLN 21,000,000).

The above credit facilities were not made due and payable although financial conditions were not fulfilled as at 31 December 2017. The Management Board does not expect the credits to become due and payable as negotiations with the banks are being conducted in that matter.

The table below presents the Group's receivables.

31 December 2017	On request	Under 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Cash	11 679	-	-	-	-	11 679
Receivables	1 067	29 762	-	-	-	30 829
Loans granted	-	-	-	-	-	-
	12 746	29 762	-	-	-	42 508

31 December 2016	On request	Under 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Cash	10 879	-	-	-	-	10 879
Receivables	1 059	30 195	-	-	-	31 254
Loans granted	-		-	-	-	-
	11 938	30 195	-	-	-	42 133

(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 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets:	**41 910**	**41 684**	**41 910**	**41 684**
Other financial assets:	**41 910**	**41 684**	**41 910**	**41 684**
Long-term:	-	-	-	-
Short-term:	41 910	41 684	41 910	41 684
Trade receivables	29 452	29 812	29 452	29 812
Other receivables	779	993	779	993
Cash	11 679	10 879	11 679	10 879
Financial liabilities:	**129 668**	**116 337**	**129 668**	**116 337**
Interest-carrying bank loans and bonds, including:	**81 818**	**74 058**	**81 818**	**74 058**
long-term interest-carrying according to floating interest rate	62 307	26 358	62 307	26 358
long-term interest-carrying according to fixed interest rate	-	267	-	267
Overdrafts	370	10 378	370	10 378
Short-term:	19 141	37 055	19 141	37 055
Other long-term financial liabilities such as :	**3 424**	**6 431**	**3 424**	**6 431**
Liabilities due to financial lease	2 138	2 657	2 138	2 657
Other	1 286	3 774	1 286	3 774
Other short-term financial liabilities such as :	**44 426**	**35 848**	**44 426**	**35 848**
Liabilities due to financial lease	2 190	2 074	2 190	2 074
Liabilities due trade and services	32 210	27 023	32 210	27 023
Other	10 026	6 751	10 026	6 751

* 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 2017

	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:	**18**	**(33)**	**(2 853)**	**-**	**-**	**(2 868)**
Other financial assets:	**18**	**(33)**	**(2 853)**	**-**	**-**	**(2 868)**
Short-term:	18	(33)	(2 853)	-	-	**(2 868)**
Trade receivables	10	(24)	(2 853)	-	-	**(2 867)**
Cash	8	(9)	-	-	-	**(1)**
Financial liabilities:	**(4 344)**	**-**	**-**	**-**	**-**	**(4 344)**
Interest-carrying bank loans and bonds, including:	**(3 797)**	**-**	**-**	**-**	**-**	**(3 797)**
long-term interest-carrying according to floating interest rate	(2 563)	-	-	-	-	(2 563)
short-term interest-carrying according floating interest rate	(1 125)	-	-	-	-	(1 125)
Overdrafts	(109)	-	-	-	-	(109)
Other liabilities such as:	**(547)**	**-**	**-**	**-**	**-**	**(547)**
Liabilities due to financial lease	(192)	-	-	-	-	(192)
Liabilities due trade and services	(200)	-	-	-	-	(200)
Other	(155)	-	-	-	-	(155)

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)

(in PLN thousand, unless otherwise stated)

43.3 Interest rate risk

As at 31 December 2017

Fixed interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Loans	115	230	93	-	438
	115	230	93	-	438

Variable interest rate	<1 year	1-3 years	3-5 years	>5 years	Total
Cash assets	11 679	-	-	-	11 679
Overdrafts	370	-	-	-	370
Investment loans	15 705	5 730	-	-	21 435
Loans from related entities	2 728	54 402	-	-	57 130
Liabilities due to financial lease	593	1 630	222	-	2 445
Cash assets	2 190	2 050	88	-	4 328
	33 265	63 812	310	-	97 387

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

(in PLN thousand, unless otherwise stated)

43.4 Changes in liabilities arising from financing activities

Items	01 January 2017	hanges resulting from cash flows from financing activities	changes resulting from obtaining or losing control over subsidiaries or other enterprises	the effects of changes in exchange rates	changes in fair values	Other *	31 Decembe 2017
Long-term liabilities							
Interest bearing Loans and loans	26 625	12 150	-	-	(7)	23 539	62 307
Liabilities due to leasing	2 657	-519	-	-	-	-	2 138
Short-term liabilities							
Interest bearing Loans and loans	47 433	-6 999	-	-	-	(20 923)	19 511
Liabilities due to leasing	2 074	116	-	-	-	-	2 190
	78 789	**4 748**	**-**	**-**	**(7)**	**2 616**	**86 146**

* *The other* item refers to the reclassification of loans and borrowings between long- and short-term liabilities and the calculation of contractual interest on loans.

44. CAPITAL MANAGEMENT

A key objective to the Company's capital management is to maintain a good credit rating and safe capital ratios which would supfromrt the Company's business 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 2017 and 31 December 2016 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.

	31 December 2017	31 December 2016 reclassified data*
Interest-bearing loans and loans	81 818	74 058
Trade and other liabilities	57 705	51 752
Less cash and cash equivalents	(11 679)	(10 879)
Net debt	127 844	114 931
Equity	129 184	130 366
Reserve capital from unrealized net income	-	-
Total capital	129 184	130 366
Net equity and debt	257 028	245 297
Leverage ratio	0,4974	0,4685

(in PLN thousand, unless otherwise stated)

* The data was reclassified in accordance with the adjustment described in note 11 of these Financial Statements.

45. EMPLOYMENT STRUCTURE

Company	2017			2016		
	White-collar workers	Blue-collar workers	Total	White-collar workers	Blue-collar workers	Total
EMC Instytut Medyczny S.A.	539	88	627	485	104	589
Lubmed Sp. Z o.o.	51	7	58	58	7	65
Mikulicz Sp. Z o.o.	117	27	144	107	39	146
EMC Health Care Limited	-	-	-	6	1	7
EMC Silesia Sp. z o.o.	99	15	114	69	24	93
PCZ Sp. z o.o. w Kowarach	107	40	147	112	54	166
EMC Piaseczno Sp. z o.o.	126	11	115	88	11	99
Zdrowie Sp. z o.o.	210	40	250	224	51	275
RCZ Sp. z o.o.	428	87	515	418	113	531
NZOZ Zawidawie Sp. z o.o.	73	8	81	66	15	81
CM Medyk Sp. z o.o.	-	-	-	6	1	7
Q-Med Sp. z o.o.	-	-	-	33	6	39
TOTAL	**1750**	**323**	**2 051**	**1 672**	**426**	**2 098**

46. POST-BALANCE SHEET EVENTS

On January 24, 2018, EMC Instytut Medyczny SA concluded an agreement regarding the sale of shares in Zawidawie Sp. z o.o. by Sunzi Sp. z o.o. of 25/07/2016. This agreement has regulated the following:

1) Deduction of 100,000 PLN (where PLN 38,838.36 has been previously arrested) from the amount of the guarantee deposit retained under the abovementioned contracts in connection with the occurrence of events causing the seller's liability for damages (correction of the invoice issued before the date of acquisition of shares).
2) Rescheduling the payment of the second tranche of the guarantee deposit: payment of the first part of the tranche to 31/01/2018 (completed) and the second part of the tranche until 31/03/2018,
3)) Deduction of the payment of the second part of the tranche referred to above, the amounts due from the Specialist Care and Care Center Ewa-Med. Sp. z o.o. in the amount of PLN 120,000,
4) Adjusting the invoice regarding IT and personnel services to Zawidawie Sp. z o.o. by ACZ sp. o.o. for the period 01/05/2017 by PLN 11,750 net,
5) Adaptating to the fire protection requirements for the building at Wejherowska St., where medical services are provided by the clinic run by EMC IM SA, which was part of Zawidawie Sp. z o.o. "

On February 5, 2018, due to the non-fulfillment of the boundary conditions of the loan agreement of July 12, 2016 for the second and third quarter of 2017, Raiffeisen Bank Polska Spółka Akcyjna with its registered office in Warsaw, called the Issuer to provide additional collateral in the form of a repayment guarantee by the main shareholder of the Careup BV. On 6 March 2018, the Issuer provided the aforementioned guarantee.

After the balance sheet date until the date of drawing up these Financial Statements, i.e. 16 March 2018, no material events occurred which should have been included in the Financial Statements except the ones mentioned above.

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

Wrocław 16 March 2018