

**IMAGING EXPERTS AND HEALTHCARE
SERVICES S.A.S**

***Financial Statements for the Years
ended on 31 December 2017 and 2016
and independent auditor's report***



RSM Colombia Auditores SAS

Av. Calle 26 No 69D-91 -Torre Peatonal Of. 307 303
Centro Empresarial Arrecife — Bogotá —Colombia

T •57 (1) 410 4122

www.rsmCO.CO

INDEPENDENT AUDITOR´S REPORT

To the shareholders of:

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S.

Report on the Financial Statements

We have audited the financial statements of IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S., which include the state of financial position as at 31 December 2017, and the comprehensive income statement, changes in equity and cash flows for the year ended on that date and their respective notes, which include a summary of the significant accounting policies and other explanatory information. The financial statements at 31 December 2016 and for the year ended on said date, were audited by other auditors who issued an unqualified opinion dated on 31 March 2017.

The responsibility of the Administration regarding the financial statements

The administration is responsible for the proper preparation and presentation of the financial statements by Accounting Standards, and Financial Information to small and medium-sized enterprises — NCIF for SMEs accepted in Colombia (Group 2). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements separated free of material importance errors, whether due to fraud or error; selecting and applying appropriate accounting policies, as well as carry out the reasonable accounting estimates in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements annexed based on our audit. We have carried out our audit by the international auditing standards accepted in Colombia. Those standards require that we comply with ethical requirements, we plan and execute the audit to obtain reasonable assurance on whether the financial statements are free from importance material errors.

An audit of financial statements is to develop procedures to obtain evidence about the amounts and disclosures in the financial statements. The methods selected depend on the auditor's judgment, including the assessment of the risks of errors

Of material importance in the financial statements due to fraud and error. In the assessment of those risks, the auditor considers internal control of the entity for the preparation and reasonable presentation of the financial statements to design audit procedures that are appropriate regarding the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluate the complete presentation of the separate financial statements.

I believe that the audit evidence we have obtained provides a sufficient and adequate basis for our audit opinion.

Opinion

In our opinion, the financial statements, taken from the accounting records and annexed to this report, reasonably present, in all importance material aspects, the financial situation of IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S., as at 31 December 2017, the results of its operations and its cash flows for the year then ended in accordance with accounting and financial reporting standards for small and medium enterprises - NCIF for SMEs accepted in Colombia (Group 2).

Report on legal and regulatory requirements

Our evaluation of internal control, conducted with the purpose of establishing the scope of our audit tests, did not reveal that the company did not follow appropriate measures of internal control, compliance with anti-corruption regulations, conservation and custody of its assets and those of third parties that are in its power. We have informed management, in the letter of recommendations, identified improvement opportunities to improve its internal control

RSM COLOMBIA AUDITORES S.A.S.

Auditores Independientes

A handwritten signature in blue ink, appearing to read 'M. Mahecha B.', enclosed within a hand-drawn oval.

Mayker F. Mahecha B.
Audit Partner

Bogotá, 9 March 2018.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S.
STATEMENTS OF FINANCIAL POSITION
For the years ended as at 31 December 2017 and 2016
Figures expressed in thousands of Colombian pesos

	<u>Notes</u>	<u>31 December</u>			<u>Notes</u>	<u>31 December</u>	
		<u>2.017</u>	<u>2.016</u>			<u>2.017</u>	<u>2.016</u>
ASSETS				LIABILITIES			
Current assets				Current liabilities			
Cash and cash equivalents	5	\$ 10.702	\$ 40.427	Financial liabilities	11	\$ 1.065.835	\$ 1.156.239
Accounts receivables and other accounts receivable	6	5.594.629	2.966.513	Accounts payable and other accounts payable	12	1.385.150	1.106.424
Other Non-financial assets	7	-	603.422	Current tax liabilities	13	1.088.357	903.011
Inventories	8	692.494	1.116.173	Payroll benefits	14	513.013	247.598
Current tax assets	16	449.797	207.639	Other Non-financial liabilities	15	190.282	71.098
Total current assets		<u>\$ 6.747.622</u>	<u>\$ 4.934.174</u>	Total Current Liabilities		<u>\$ 4.242.637</u>	<u>\$ 3.484.370</u>
Non-Current assets				Non-Current Liabilities			
Property, plant and equipment	9	\$ 1.040.444	\$ 1.163.998	Deferred tax liabilities	16	\$ 28.760	\$ 59.245
Intangible assets other than capital gain	10	715.385	276.278	Total Non-current liabilities		<u>\$ 28.760</u>	<u>\$ 59.245</u>
Total Non-current assets		<u>\$ 1.755.829</u>	<u>\$ 1.440.276</u>	TOTAL LIABILITIES		<u>\$ 4.271.397</u>	<u>\$ 3.543.615</u>
TOTAL ASSETS		<u>\$ 8.503.451</u>	<u>\$ 6.374.450</u>	EQUITY			
				Paid-in and subscribed capital	17	\$ 8.178	\$ 5.000
				Issue premium		3.454.526	2.075.808
				Provision		2.500	2.500
				NCIF adoption effect		(115.055)	(115.055)
				Retained Earnings		862.582	655.111
				Income for the year		19.323	207.471
				TOTAL EQUITY		<u>\$ 4.232.054</u>	<u>\$ 2.830.835</u>
				TOTAL LIABILITIES AND EQUITY		<u>\$ 8.503.451</u>	<u>\$ 6.374.450</u>

The annexed notes are a comprehensive part of the Financial Statements.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that these have been taken from the accounting records.

GERMAN A. ARANGO B.
Legal Representative

EDITH SIERRA USAQUÉN
Certified Public Accountant
P.L. 218690 -T

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S.
COMPREHENSIVE INCOME STATEMENT
For the years ended as at 31 December 2017 and 2016
Figures expressed in thousands of Colombian pesos

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Ordinary income	18	\$ 10.197.097	\$ 7.100.327
Cost of sales	20	<u>6.138.808</u>	<u>4.122.884</u>
Gross profit		\$ 4.058.289	\$ 2.977.443
Administrative expenses	21	\$ 1.863.406	\$ 1.299.350
Sales expenses	22	1.380.184	907.754
Results of operational activities		<u>\$ 814.699</u>	<u>\$ 770.339</u>
Other expenses	23	261.828	123.401
Other Income	19	<u>57.406</u>	<u>62.396</u>
Total other expenses and other income		<u>\$ 204.422</u>	<u>\$ 61.005</u>
Financial expenditure	24	<u>420.557</u>	<u>346.792</u>
Income before taxes		<u>\$ 189.720</u>	<u>\$ 362.542</u>
Income tax and deferred tax	16	170.397	155.071
Net income for the year		<u><u>\$ 19.323</u></u>	<u><u>\$ 207.471</u></u>

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IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S.
STATEMENT OF CHANGES IN EQUITY
For the years ended as at 31 December 2017 and 2016
Figures expressed in thousands of Colombian pesos

	Paid-in and Subscribed Capital	Issue premium	Provisions	Results accumulated	Adoption effect NCIF	Income for the year	Total Equity
Balance as at 31 December 2015	5.000	2.075.808	2.500	11.705	(115.055)	528.351	2.508.309
Transfer of profit (loss)	-	-	-	643.406		(528.351)	115.055
Result of the period	-	-	-			207.471	207.471
Balance as at 31 December 2015	5.000	2.075.808	2.500	655.111	(115.055)	207.471	2.830.835
Capitalization	3.178	1.378.718					1.381.896
Transfer of utilities				207.471		(207.471)	-
Period result						19.323	19.323
Balance as at 31 December 2015	8.178	3.454.526	2.500	862.582	(115.055)	19.323	4.232.054

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IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S.
CASH FLOW STATEMENTS
For the years ended as at 31 December 2017 and 2016
Figures expressed in thousands of Colombian pesos

	31 December	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Income for the year	\$ 19.323	\$ 207.471
Adjustments to reconcile net income for the year with net cash provided for operating activities		
Impairment of accounts receivable	43.719	-
Impairment of inventories	87.026	-
Depreciation	264.136	98.937
Amortization of intangibles	288.668	375.452
Loss on sale of property, plant and equipment	233.448	
Deferred income tax	(30.485)	59.245
Current income tax	200.882	-
Changes in operating assets and liabilities:		
Accounts receivable	\$ (2.671.835)	\$ (1.560.492)
Inventories	85.908	1.540.273
Current tax assets	(242.158)	-
Accounts payable and other accounts payable	1.087.685	(22.834)
Payroll benefits	265.414	71.532
Current tax liabilities	(63.177)	187.386
Other Non-financial liabilities	119.185	4.450
Net cash provided by (used in) operating activities	<u>\$ (312.261)</u>	<u>\$ 961.420</u>
Cash flows from investment activities:		
Net acquisition of property, plant and equipment	\$ (75.644)	\$ (1.186.052)
Net acquisition of intangibles	(124.353)	(144.685)
Net cash provided used in investment activities	<u>\$ (199.997)</u>	<u>\$ (1.330.737)</u>
Cash flows of funding activities:		
Increase in equity	\$ 572.937	\$ -
Financial liabilities	(90.404)	269.302
Net cash provided by the funding activities	<u>\$ 482.533</u>	<u>\$ 269.302</u>
Decrease in cash and cash equivalents	\$ (29.725)	\$ (100.015)
Cash and equivalents, at the beginning of the year	40.427	140.442
Cash and equivalents at the end of the year	<u>\$ 10.702</u>	<u>\$ 40.427</u>

The annexed notes are a comprehensive part of the Financial Statements.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that these have been taken from the accounting records.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

1. GENERAL INFORMATION

Economic Entity - IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S, (hereinafter "IMEXHS") is a simplified joint-stock company of a private legal nature incorporated with public deed No. 01649376 of July 10, 2012, registered in the Notary 37 of the city of Bogotá initially registered under the corporate name Imaging and Healthcare Solutions S.A.S.

The term of established duration is indefinite, beginning on the date of the granting of the public deed of the constitution.

The Company has its principal domicile in the city of Bogotá D.C. in the Calle 92 No. 11-51 Oficina 202 address.

Social IMEXHS aims to commercialize the implementation of comprehensive technological platforms, for the provision of diagnostic aids in particular and in general of any Healthcare service or different, with permanent accompaniment and support, through the provision of machinery and equipment, N.C.P., professional, scientific and technical activities N.C.P., rental and leasing of other machinery, equipment and tangible goods N.C.P.

The Company has recorded the following reforms to the deeds:

By Act No 3 of general shareholders' meeting of 6 August 2012, registered on 7 September 2012 under number 01664387 of the Book IX, the company changed its name from Imaging Experts and Healthcare Solutions S.A.S., by Imaging Experts and Healthcare Services S.A.S.

Approval of the financial statements - The financial statements of Imaging Experts And Healthcare Services SAS for the year ended as at 31 December 2017, has been approved by the General Assembly of Shareholders and authorized for its publication on March 28, 2018.

2. BASIS OF PREPARATION AND PRESENTATION

- **Technical Accounting Regulatory Framework** - The Financial Statements which accompany them, presented in thousands of Colombian pesos, have been prepared in accordance with the rules of Accounting and Financial Information accepted in Colombia for SMEs (NCIF), established in the Law 1314 of 2009, regulated by Decree 2420 of 2015 Regulatory Only amended by Decree 2496 of 2015 and its Decree amending the Decree 2131 of 2170 December 2016 and December 2017. The NCIF is based on International Standards of Financial Information for Small and Medium-sized Entities (IFRS FOR SMEs), along with their interpretations, issued by the Consejo de Normas Internacionales de Contabilidad (IASB International Accounting Standards Board); the primary rules correspond to the officially translated into Spanish and issued by the IASB to 31 December 2013, together with its amendments issued in the year 2014.
- **The basis of Preparation** - The Company has defined by statutes make a cut of their accounts, prepare and disseminate general purpose financial statements once a year, this is as at 31 December. For legal purposes in Colombia, the primary financial statements are the separate or individual financial statements by the decree 2420 and its amending 2496 of December 2015.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

The financial statements have been prepared on a historical cost basis, except specific financial instruments that are measured at amortized cost or fair value, as explained below:

Historical Cost - The historical cost is usually based on the fair value of the consideration given in exchange for goods and services.

- **Use of estimates and judgments** - The preparation of financial statements by the rules of Financial Information accepted in Colombia for SMEs (NCIF) requires the Company to make judgments and estimates, which are regularly reviewed, for certain assets, liabilities, income, and expenses. Some areas where it requires the use of estimates include recognition and measurement of impairment losses and uncertain tax positions. These judgments and estimates affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the date and for the period of presentation of the financial statements. Actual results could differ from the estimates made by the management.

The following trials are essential in the implementation of the accounting policies of the Company that has a significant effect on the financial statements:

- **Impairment of accounts receivable** - IMEXHS evaluated at the end of each reporting period if there is objective evidence that a financial asset - accounts receivable or a group of them measured at amortized cost are damaged.

The Company believes assumptions such as, but not limited to, financial difficulties of the debtor for non-payment of the invoices, breaches in contractual clauses, among others.
- **Impairment of value of inventories** - the inventory is valued for the calculation of the impairment when events or changes in circumstances indicate that the carrying amount may not be fully recovered from their sale.
- **Provisions for tax obligations** - to determine the balance to be paid on the income statement, once is effective the debugging of this.
- **Functional Currency - functional and presentation currency** - IMEXHS has defined as its Functional currency and performance of the financial statements, the Colombian peso, which corresponds to the primary economic environment where makes its operations. This currency is primarily involved in the determination of incomes and expenses that generate cash flows from operating activities, investing, and financing. The financial information is presented in thousands of pesos and rounded to the nearest unit, except where otherwise indicated. All those transactions it carries out in another currency are converted at the exchange rate prevailing on the last working day of the month and certified by the Bank of the Republic of Colombia.

Foreign currency transactions - The recognition of the operations in foreign currency, will be recognized in the financial statements as follows:

- At the initial time, foreign currency transactions are recognized at the rate of exchange on the date of the transaction.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

- At the end of the period to report, monetary assets and liabilities denominated in currencies other than the functional currency are converted at the closing exchange rate.
 - The exchange difference arising in the transactions of the business, both in the liquidation of operations and in the development of monetary assets and liabilities are recognized in the results of the period if the asset is valued against another comprehensive result the difference in change is also recognized in other comprehensive income.
 - Non-monetary balances, which are measured at historical cost, are converted at the historical exchange rate on the date of the transaction. Differences in the conversion of non-monetary balances, which are held at fair value through results, are recognized as income or expense in the results of the period.
 - The dollars are re-expressed to Colombian pesos based on the representative market rate calculated on the last business day of the month and certified by the Bank of the Republic of Colombia. At 31 December 2017 and 2016 the rates were \$2,984.00 (pesos) and \$3,000.71 (pesos), respectively for each dollar.
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- **Classification of assets and liabilities into current and non-current** - In the preparation, elaboration, and presentation of the financial statements, it was determined about, among other assets total current assets and current liabilities total current liabilities and non-current, to equity and the results for the year, as appropriate.

An asset is classified as current assets if held primarily for trading purposes or is expected to be carried out within a period of not more than one year after the reporting period. The other assets are classified as non-current assets.

A liability is classified as current liabilities when held primarily for trading purposes or is expected to be settled within a period of not more than one year after the reporting period. The other liabilities are classified as non-current liabilities.

3. STANDARDS ISSUED BY THE IASB IS NOT YET IN FORCE IN COLOMBIA

On December 14, 2017, the IFRS Foundation issued non-binding guidelines, in the form of a document of questions and answers (Q&A) developed by the SMEIG Group (SMEIG) - advising on accounting for financial guarantee contracts or separate financial statements of the issuer. By the closing date, the company has not made application of this new guide on the IFRS for SMEs in advance.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

4. MAIN ACCOUNTING POLICIES

4.1. FINANCIAL INSTRUMENTS - IMEXHS has elected to apply Section 11 "Basic Financial Instruments" for all its basic financial instruments. The Company uses only basic financial instruments that result in recognition of their financial assets and liabilities of the commercial activities such as accounts receivable and payable, credit received from banks or third parties and loans to related parties, mainly.

LIMEXHS recognized as assets and liabilities the following instruments:

- **CASH AND CASH EQUIVALENTS** - Cash and cash equivalents are made up of resources held in cash, banks or sight deposits, short-term, highly liquid investments that are held to meet short-term cash commitments rather than for investment or other purposes and are subject to an insignificant risk of changes in value; represented in either local or foreign currency.
- **ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE** - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, generated by services provided in the development of the social object of IMEXHS. Also, to be considered as accounts receivable that are generated by the concept of advances to suppliers, employees and contractors, and in general the outflow of resources in favor of third parties of which is expected to be a consideration or future benefit.

Accounts receivable arising in the development of the social object of IMEXHS correspond to the sale of goods and services, rental of equipment and software licenses, which have a term of payment between 90 and 180 days on average.

When the term of cancellation of accounts receivable extends beyond the normal conditions, the carrying amounts are reviewed to determine whether there is any objective evidence that they will not be recoverable. If so, is immediately recognized in results an impairment loss.

Accounts receivable do not cause interest on arrears or discounts for early payment.

- **OTHER FINANCIAL LIABILITIES** - correspond to obligations to third parties and/or financial institutions, to obtain resources needed to leverage some of the company's operations.
- **ACCOUNTS PAYABLE** - correspond to commitments to third parties generated during the ordinary activities such as fees, utilities, maintenance and adjustments, travel expenses, technical services, other
- **DEBTS WITH PARTNERS** - corresponds to the balances that the company owes to the partners and/or shareholders.

4.1.1. Initial measurement: All financial assets and liabilities are initially recognized at fair value that corresponds to the amount agreed with the counterparty.

4.1.2. Later measurement: Subsequent measurement of financial assets and liabilities depends on their classification, resulting:

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

- **CASH AND CASH EQUIVALENTS** - Cash and cash equivalents are measured subsequently at fair value.
- **ACCOUNTS RECEIVABLE AND PAYABLE** - Accounts receivable and accounts payable to be transactions based on standard conditions (without funding) are measured at the undiscounted amount of cash that it expects to receive or pay.

In the case of accounts receivable that are considered old assesses the existence of objective evidence of impairment, where IMEXHS will immediately recognize a loss in results of the period.

- **OTHER FINANCIAL LIABILITIES** - Loans are subsequently stated at amortized cost using the effective interest rate method. The amortized cost is calculated by considering any premium or discount from the acquisition and includes costs of transactions which are an integral part of the effective interest rate, according to the according to section 11.15 of IFRS for SMEs.

4.1.3. Discharge in accounts receivable - An asset is discharged when:

- Expiring or liquidation of the contractual rights to the cash flows of accounts receivable.
- Third party transfer substantially all the risks and benefits inherent in the account receivable.
- Recognize separately any rights and obligations created or retained in the transfer.
- When the entity decides using a document of the General Assembly the cancellation of any of the items of accounts receivable.
- When the overdue portfolio exceeds 360 days, it is considered as a starting point. If your recovery is zero or there is little chance of recovery product of the analysis and management of the Company, will be reducing the usefulness of the exercise, subject to the approval of the Administration.

4.1.4. Discharge of financial liabilities: A financial liability is discharged when:

- The obligation for the liability is paid, canceled or expires;
- When an existing financial liability is replaced by another from the same lender in substantially different terms;
- The terms of an existing liabilities are modified substantially, and such an exchange or modification is treated as given from an original passive and given low of a new liability;

The difference in the respective carrying amounts is recognized in the income statement.

4.2. INVENTORIES

Inventories are assets held for sale in the normal course of operations; inventories of IMEXHS, correspond to inventory of goods not manufactured by the Company, which belongs to products purchased from third parties for marketing, which are measured at the lower of cost and estimated selling price less the costs of completion and sale, through the weighted average method.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

IMEXHS discharge an item of inventory when in the final disposition; or when you do not expect to get future economic benefits for their use or disposal.

4.3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment correspond to assets purchased for use in the development of the social object of IMEXHS, which are measured at cost less accumulated depreciation and any impairment loss of earned value.

Depreciation is to distribute the cost of the assets less their residual values over their estimated useful life using the straight-line method since it represents the consumption of the future economic benefits embodied in an asset through its use.

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Computer equipment and communication	3-5 years
Office Equipment	5-10 years
Medical - Scientific Equipment	5-10 years

- **Computer equipment and communication:** Includes the telecommunications equipment, servers, platforms, among others, used IMEXHS.
- **Office equipment:** Includes equipment, furniture, and household items used as administrative support IMEXHS in peacekeeping operations.
- **Medical - Scientific Equipment:** It includes the items acquired that comply with this classification and which are used for the development of the social object of IMEXHS.

The depreciation of property, plant, and equipment will begin when the asset(s) is available for use, that is when you are in the location and in the conditions required to operate.

If there is any indication that there has been a significant change in the life of an asset, the depreciation of that asset prospectively to reflect the new expectations.

The maintenance required on these assets are recognized in the statement of income at the time in which they originate.

The IMEXHS estimated residual value of the property and equipment falls to zero.

Will discharge an item of property and equipment at the time of disposal or when no longer expected future economic benefits arising from the continued use of the asset. The gain or loss arising from the withdrawal or termination of an asset of property and equipment is calculated as the difference between the sales proceeds and the carrying amount of the asset and recognized in profit or loss.

4.4. INTANGIBLE ASSETS OTHER THAN CAPITAL GAIN

The intangible assets of IMEXHS correspond to licensing and copyright, which are stated at cost less accumulated depreciation and accumulated impairment losses. These intangible assets are amortized on a straight line over the estimated life of 5 years or 10 where it is not possible to determine.

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

If there is any indication that there has been a significant change in the useful life of an intangible asset, the amortization of the respective assets will be adjusted prospectively to reflect the new expectations.

4.5. IMPAIRMENT IN THE VALUE OF NON-FINANCIAL ASSETS

At the end of each period are reviewed the properties, plants, and equipment, as well as intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there are signs of a possible deterioration of the value, it is estimated and compares the recoverable amount of any affected asset (or group of related assets) with its carrying amount. If the recoverable amount is lower than estimated, it reduces the carrying amount to the estimated recoverable amount, an impairment loss is recognized in the results.

Similarly, at the end of each period is evaluated if there is deterioration of the value of the inventory by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price fewer costs to sell. If an item of inventory (or group of similar items) has deteriorated, it reduces its carrying amount to the sales price less the costs of completion and sale and is immediately recognized an impairment loss of valued results.

If an impairment loss is reversed later, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable value (selling price less costs of sale, in the case of inventories), not to exceed the amount that would have been determined if it had not recognized any impairment loss of the asset (group of assets) in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.6. LEASES

The Leases are classified as financial statements when the terms of the lease to tenants transfer all the risks and rewards incident substantially to ownership. All other leases are classified as operating.

- **IMEXHS as lessor** - The rental income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased and recognized on a straight-line basis over the term of the lease.
- **IMEXHS as a lessee** - lease payments are distributed among the financial expenses and the reduction of the obligations under lease to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are charged directly to profit or loss unless they can be directly attributable to califiable assets, in which case they are capitalized by the general policy of the company. Contingent lease quotas are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense using the straight-line method, during the term of the lease, unless another systematic basis is more representative of the time pattern of the user's benefit. The contingent lease payments are recognized as expenses in the periods

IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S

Notes to the financial statements

for the years ended as at 31 December 2017 and 2016

(In thousands of Colombian pesos)

in which they incurred.

In case of receipt of incentives for operating leases, such incentives are recognized as liabilities. The added benefit of incentives is recognized as a reduction of rental expense on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit.

4.7. OTHER NON-FINANCIAL LIABILITIES

IMEXHS recognized as non-financial liabilities of nature (accounts payable) the rights of payment to third parties caused by customer advance payments for the provision of services or sale of products.

4.8. PAYROLL BENEFITS

Payroll benefits understand all types of benefits that the company provides to workers, including administrators and managers, in exchange for their services. The liability obligations for payroll benefits is related to what is established in the Colombian legislation.

IMEXHS has short-term benefits that correspond to the legal and extralegal obligations and benefits for termination of the contract in advance as compensation for the liberality of the company; these benefits are measured and recognized as an expense as the related service is provided.

For the sales department will recognize bonuses based on results of the staff, these costs are recognized in the income statement as they are incurred.

4.9. ORDINARY REVENUES AND OTHER INCOME

IMEXHS recognized revenue the following:

Income from ordinary activities under section 20 -

Sale of goods (inventory) - Revenue from the sale of medical equipment are recognized and registered with base in the transfer of administration and risk of the customer equipment and meet all the following conditions:

- The entity has transferred to the buyer the risks and benefits, significant type, derived from the ownership of the goods;
- The entity does not preserve for if no current involvement in the management of goods sold, in the degree usually associated with ownership, nor effective control over the retains the same;
- The amount of revenue can be measured reliably;
- It is probable that the entity receives the economic benefits associated with the transaction; and
- The costs incurred, or incurring, in connection with the transaction can be measured reliably.

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Provision of services (maintenance) - The income from the provision of services such as maintenance is recognized when the result can be measured reliably. It means that meet all the following conditions:

- The amount of revenue can be measured reliably;
- It is likely that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction, at the end of the period for the submission of the report, can be measured reliably.

Provision of services (software projects) - The income from the provision of services of software projects (development), are recognized when:

- When you transfer the customer to the risks and rewards incident to ownership of the developments or when the services are provided through an undetermined number of acts over a specified period in a linear fashion.

The amount of revenue arising from a transaction is determined, typically, by agreement between the company and the customer. It is measured at the fair value of the consideration received or receivable considering the amount of any discount, bonus or rebate business that the company can provide.

Leases of equipment - The recognition of income in respect of leases of equipment are recognized and medical care by the policy 4.6. Leases, by section 20.

4.10. OPERATING COSTS AND EXPENSES

The costs and expenses represent to IMEXHS reductions in economic benefits, produced during the accounting year, represented in outputs or decreases in the value of the assets or through the origin and/or increased liabilities, which are a direct result in equity, and are not related to the distributions of profits to the shareholders

These are mainly composed by the general and administrative costs that include: administrative staff costs, fees, rent for offices in Bogotá and Medellín, expenses by insurance policies, services, expenses for maintenance, stationery and supplies toiletries and a cafeteria, among others.

LIMEXHS recognizes its costs and expenses to the extent that the economic facts occur in such a way that they are systematically recorded in the accounting period (causation), independent of the flow of monetary or financial resources (box).

Interest expenses and other financial expenses related to the loans in force during the period are recorded and charged to income for the year.

4.11. DEFERRED TAX

The deferred tax is recognized by the "passive," by the temporary differences arising from the recognition of assets and liabilities in the financial statements under NCIF and recognition for tax purposes.

The tax expense to the represents the sum of the current tax payable and the deferred tax. The current tax payable is based on the taxable profit (tax loss) of the year. The deferred tax is recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases (known as temporary differences).

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Deferred tax liabilities are recognized for all temporary differences that are expected to increase the taxable profit in the future. The deferred tax assets recognized for all temporary differences that are expected to reduce the taxable profit in the future, and any loss or tax credit not used. Deferred tax assets are measured at the maximum amount that, by the actual or estimated taxable profit in the future, it is likely to recover.

The net carrying amount of deferred tax assets is reviewed at each reporting date is reported and is adjusted to reflect the current assessment of the future taxable profit. Any adjustment is recognized in the results of the period.

The deferred tax is calculated according to the tax rates expected to apply to taxable profit (tax loss) of the periods in which they are expected to make the deferred tax asset or cancel the deferred tax liability, by the tax rates that have been approved or whose approval process is almost finished at the end of the reporting period.

4.12. INCOME TAX

The tax is based on the current tax revenues recorded during the year. Taxable profit differs from the profit reported in the state a result, due to the items of income and expense taxable or deductible in other years and items that are never taxable or deductible. The liability of the Company for the current tax is calculated using tax rates enacted or substantially adopted at the end of the period on which it reports. The Company determines the provision for income tax and complementary, and by the taxable profit or the presumptive income, the largest, estimated at rates specified in the tax law.

The income tax expense represents the sum of the income tax expense for the year and the deferred tax assets and liabilities. It is calculated by applying the tax rate of 34% for the taxable year 2017 and 25% for the taxable year 2016, on the tax base, the variation of the deferred tax assets and liabilities.

4.13. PROVISIONS

The provisions are recorded when the Company has a present obligation (legal or implicit) because of a past event, for which the company is likely to the outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. The amount recognized as a provision represents the best estimate of the payments required to settle the present obligation at the date of the Financial Statements, taking into consideration the risks of uncertainty around the obligation.

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5. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents at 31 December 2017 and 2016, comprises:

	<u>2017</u>	<u>2016</u>
Petty Cash (1)	\$ 1.000	\$ 1.000
Banks (2)	8,926	4,081
Savings Accounts (3)	776	35,346
Total cash and cash equivalents	\$ 10.702	\$ 40.427

- (1) Represent the amounts allocated to meet operating expenses of less value. Constituted by the value of \$800.000 for the Administrative Area of Bogotá and \$200.000 for the sites of Medellín.
- (2) Represent the resources in savings accounts and current accounts in national currency to meet the operation of the Company, these balances have no restrictions of any kind and are strategically used by IMEXHS to meet their obligations.
- (3) In connection with the savings accounts, the balance at 31 December 2017 corresponds to the savings account of the Banco Colpatria. This decrease corresponds to the change of principal account of the collection of customers, given that the company decided to open portfolio with ProCredit.

6. ACCOUNTS RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

The balance of trade accounts receivable and other accounts receivable at 31 December 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Customers (1)	\$ 5.415.431	\$ 2.223.836
Prepayments and advances (2)	-	9,222
Accounts receivable to partners (3)	138,727	406,211
Deposits for imports (4)	-	21,193
Accounts receivable to workers (5)	44,085	30,572
Miscellaneous debtors (6)	84,610	319,984
Estimate of impairment losses (7)	(88.224)	(44.505)
Total Accounts receivable	\$ 5.594.629	\$ 2.966.513

- (1) Includes sales at the national and international level, where the most representative clients in portfolio are: Centro de Imágenes Diagnosticas CEDIM IPS, Clínica Universitaria de Medicina Integral, Diagnostimed, EMD S.A.P.I., Fundación Hospital de la Misericordia, Fundación Instituto Neurológico de Colombia, Organización de Imagenología OIC, Paramédicos,

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Radiofam, SubRed Integrada de Servicios de Salud, Thi Medical, Disama Medic and UT Imágenes Diagnosticas la Misericordia; in which the totality of these customers is concentrated on 74% of the total portfolio.

- (2) This decrease corresponds to the advances made to suppliers during the 2016 and 2017 that were legalized.
- (3) This decrease is caused mainly by payments from the profits of the joint venture account for \$235.000 for the project of RADIOFAM.
- (4) The variation of this item corresponds to that on 31 December 2017 there are no outstanding advances to legalize with societies of Customs Brokerage for import of goods.
- (5) It is the balances of per diem legalized and who were in favor of the company balances on loans made to the employees.
- (6) This balance includes loans made to Imexmb S.A.S. and Imexvr S.A.S., for the operation and opening of new markets.
- (7) The following table analyzes the changes in the provision for impairment losses in the period, taking into account the maximum level of exposure of the same.

Opening balance at 1 January 2017	\$	(44.505)
Provision for the year		<u>(43.719)</u>
Balance as at 31 December 2017	\$	<u>(88,224)</u>

7. OTHER NON-FINANCIAL ASSETS

The balance of Other non-financial assets as of December 31, 2017, and 2016 are as follows:

	2017	2016
Other Non-financial assets (1)	<u>\$ -</u>	<u>\$ 603.422</u>
Total other Non-financial assets	<u>\$ -</u>	<u>\$ 603.422</u>

- (1) In 2017, after a review of the non-financial assets, the company changed the way in which classified Software licenses provided in the accounts in participation registered as investments in the Statement of Financial Position to intangible assets other than surplus. The classification as intangible assets provide reliable and more relevant to users of the financial statements, given that they are assets controlled by each participant and its sole purpose is to give practical expression to the sale of licenses at the end of each project.

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8. INVENTORIES

The balance of inventories at 31 December 2017 and 2016 includes:

	<u>2017</u>	<u>2016</u>
Merchandise not manufactured by the company (1)	\$ 711.253	\$ 1.115.514
Materials and spare parts (2)	68,281	659
Impairment in inventories	(87.040)	-
Total inventories	\$ 692.494	\$ 1.116.173

- (1) It corresponds to the digitizing equipment, accessories, and scan and ultrasound technology available for sale.
- (2) Corresponds to the scanning equipment that is available for sale.
- (3) The inventory presented a deterioration in the Year 2017 originated by computers without rotation of more than one year corresponding to the CREATININE SENSOR KIT STAT METER PANEL AERO DR FPD-STD 14 X 17, AERO DR FPD-STD 14 X 17, STAT STRIP AND DVD DRIVE ID118091.

Inventories have no restrictions or encumbrances that limit their negotiation or realization. The company has arranged insurance policies all risk SMEs with the State Insurance The insurance company to ensure the goods in Inventory, as well as the transport of this at the time of sale.

9. PROPERTY, PLANT, AND EQUIPMENT

The balances at 31 December 2017 and 2016 of the Property, plant, and equipment include:

	<u>Furniture and fixtures</u>	<u>Computer Equipment</u>	<u>Medical - Scientific Equipment</u>	<u>Total</u>
COST				
1 January 2016	\$ 18.042	\$ 121.434	\$ 12.721	\$ 152.197
Additions	12,528	21,444	1,152,079	1,186,052
Provisions	-	-	-	-
31 December 2016	\$ 30.570	\$ 142.878	\$ 1.164.800	\$ 1.338.249
Accumulated depreciation				
1 January 2016	\$ (9,945)	\$ (57,708)	\$ (7,661)	\$ (75,314)
Annual depreciation	(4.338)	(38.724)	(56.726)	(99.788)
Impairment of value	851	-	-	851
Accumulated depreciation	-	-	-	-
31 December 2016	\$ (13,432)	\$ (96,432)	\$ (64,387)	\$ (174.251)
Total Property, Plant and Equipment as at December 2016	\$ 17.138	\$ 46.446	\$ 1.100.413	\$ 1.163.998

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COST								
1 January 2017	\$	30.570	\$	142.878	\$	1.164.800	\$	1.338.248
Additions		-		364,950		-		364,950
Provisions		(2.202)		(9.642)		(231.420)		(243.264)
As at 31 December 2017	\$	28.368	\$	498.186	\$	933.380	\$	1.459.934
Accumulated depreciation								
1 January 2017	\$	(13,432)	\$	(96,432)	\$	(64,387)	\$	(174.251)
Annual depreciation		(4.806)		(59.309)		(200.866)		(264.981)
Impairment of value		-		-		-		-
Provisions		-		19,742		-		19,742
As at 31 December 2017	\$	(18,238)	\$	(135,999)	\$	(265.253)	\$	(419.490)
Total Property, Plant and Equipment as at December 2017	\$	10.130	\$	362.187	\$	668.127	\$	1.040.444

In this group are representing the goods belonging to society with the purpose of using them in the development of their activities which are not intended for sale and their useful life is more than a year.

As of 31 December, 2017 the property, plant, and equipment are duly covered against all risks with current insurance policy for SMEs with a total coverage by the Seguros del Estado insurer.

The balance of property, plant, and equipment is free of restrictions and liens and represents goods of the company's full ownership.

10. INTANGIBLE ASSETS OTHER THAN CAPITAL GAIN

The balances at 31 December 2017 and 2016 of the intangible assets include:

COST	
Initial Balance at 1 January 2017 (1)	\$ 276.278
Additions (1)	100,482
Transfers (2)	754,278
Insurance	23,871
Balance as at 31 December 2017	\$ 1.154.909
AMORTIZATION	
Initial balance at 1 January 2017	\$ -
Transfers (2)	301,711
Amortization Licenses	93,538
Amortization insurance	44,275
Subtotal amortization	439,524
Balance as at 31 December 2017	\$ 715.385

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- (1) It is primarily for the rights of use to IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S., owns the copyright of the Hiruko Software and licenses for the Use Speechanywhere of Nuance and Visor Alma Medical.
- (2) During 2017 the reclassification of the balance of Investments 16 account of intangible assets, since it was evident that the accumulated value at 31 December 2016, it was incumbent on licenses for the use made in the development of contracts for accounts in participation and which are amortized according to the duration of the contracts that correspond to 5 years, being at 31 December 2017 the second year amortized.

11. FINANCIAL LIABILITIES

The balances at 31 December 2017 and 2016, corresponding to financial obligations and understand the values due to the banking sector under lines of credit such as credit fixed of consumption, revolving loans and credit cards. These obligations were acquired for working capital in the implementation of the projects and payment of licenses of cloud storage, among others. A detail is as follows:

Line of Credit	Bank	2017	2016
Consumption	Banco Procredit	\$ 268,375	\$ 420,274
Consumption	Banco Colpatría	20,931	75,000
Consumption	Banco Davivienda	31,453	84,320
Consumption	Banco Davivienda	43,652	-
Consumption	Banco Procredit	82,740	-
Financing policy all risk	Banco Pichincha	12,159	6,541
Revolving	Banco Colpatría	340,856	252,609
Revolving	Banco Davivienda	234,184	247,756
Overdrafts		10,123	44,812
Credit Card	Banco Davivienda	21,362	24,930
Total financial liabilities		\$ 1.065.835	\$ 1.156.239

12. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

The balances as of December 31, 2017, and 2016 of suppliers and commercial creditors include:

	2017	2016
Domestic suppliers (1)	\$ 66,330	\$ 230,575
Suppliers from Abroad (2)	611,379	535,870
Costs and expenses payable (3)	301,353	218,721
Debts with shareholders or partners (4)	406,088	121,258
Total Suppliers and other accounts payable	\$ 1.385.150	\$ 1.106.424

- (1) Corresponds to the obligations of the society for the acquisition of goods

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and/or services for the delivery of services, development of operations with direct relation to the exploitation of the object.

- (2) Correspond to the obligations with the Nuance, Soul Medical, KLD Corporation, and Konica Minolta Medical Imaging suppliers.
- (3) Corresponds to obligations undertaken by the company in favor of third parties by different concepts to the suppliers. The accounts are common for a variety of concepts such as leasing, maintenance services, transport, public services, Cloud Services and travel expenses.
- (4) Corresponds to a loan made by the shareholder value of 390 million pesos in the month of December 2017 which has a mutual contract in which rests the conditions of the operation. This loan was used for the payment of Duty to the Konica Minolta company, and for working capital.

13. CURRENT TAX LIABILITIES

The balances of current tax liabilities of 31 December 2017 and 2016 include:

	2017	2016
Withholding at the source (1)	\$ 122.437	\$ 26.558
Withholding Trade and Industry (2)	1,321	476
Sales tax withheld	-	1,794
Income tax (3)	64,010	83,604
Sales tax (3)	662,183	790,579
Industry and trade tax (4)	37,524	-
Income tax (5)	200,882	-
Total current tax liabilities	\$ 1.088.357	\$ 903.011

- (1) The balance by withholding at the source corresponds to the balances due for the months of October, November and December 2017.
- (2) The balance for Retention of Industry and Commerce corresponds to the bimonthly November and December of 2017.
- (3) The tax obligations by the concepts of income tax and VAT, these obligations have payment agreement with the Directorate of National Taxes and Customs (DIAN) under Resolution of Payment Facilities No. 20170808000261 dated 3 November 2017 where it attaches to the society within 6 months to cancel the obligations, beginning the first installment on 15 December 2017.
- (4) The obligation for Industry and Commerce Tax corresponds to the two-month period November and December 2017.
- (5) This balance relates to the provision for income tax 2017 tax year which was calculated at a rate of 34%. To determine the balance to be paid at the value resulting from the utility tax rate, the tax withholding at the source that we practiced. See note 16.

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14. PAYROLL BENEFITS

The balances at 31 December 2017 and 2016 profits to employees correspond to:

	2017	2016
Payroll payable (1)	\$ 165,096	\$ 35,193
Termination indemnities	84,027	69,122
Extralegal benefits (2)	27,765	29,087
Interest on Termination indemnities	9,538	7,871
Vacations	108,100	84,780
Service Premium (3)	8,726	-
Other labor payments	-	2,287
Contributions Promoter Entities	26,484	4,158
Contributions ARL (Labor risks Administrator)	4,271	892
Contributions ICBF, CAJA, SENA	22,294	6,528
Payroll loans	4,780	357
Termination indemnities fund	51,932	7,323
Total benefits to employees	\$ 513,013	\$ 247,598

- (1) This balance represents at the close of 2017 the value of the payroll of managers (Shareholders, Business Managers, technological and administrative managers).
- (2) This value corresponds to the aid of bearing pending payment to partners
- (3) This balance represents the 2017 closing of the pending payment of the premium of 3 employees.

15. OTHER NON-FINANCIAL LIABILITIES

The balances at 31 December 2017 and 2016 for other non-financial liabilities include the following values:

	2017	2016
Advances received from customers (1)	\$ 7,317	\$ -
Provisions	-	35,698
Joint accounts (2)	182,966	-
Others	-	35,400
Total other Non-financial assets	\$ 190,283	\$ 71,098

- (1) The balance of customers corresponds to income received in advance for service-oriented and/or purchase of goods with a delivery limit maximum to 60 days.
- (2) This balance relates to the balances due to December 2017 corresponding to the contracts for accounts in participation, where IMEXHS is an active participant:

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Nowadays, the company has contracts for accounts in participation with the following investors, which has been its main purpose, the financial leverage for the implementation of projects of Customers RADIOFAM, Clinic of the Americas, Clinic, Palermo, Tamara Images, Clinic of Mercy, Radiation Management, Cedi and New Clinic which by its technological infrastructure the initial investment of the project is high; the duration of the contracts with these customers is five (5) years. The Participate Manager is IMEXHS.

Inactive Participate	Balance as at December 2017
Castro Parra Juan Carlos	\$ 29,179
Correa Bonnet Carlos Javier	75,592
Fernandez Aristizabal Dario	12,867
Grupo Velez Porto SAS	29,857
Phv Group SAS	28,300
Velez Porto Enrique Augusto	7,171
Total Joint accounts	\$ 182,966

16. INCOME TAX

The detail of the fiscal conciliation is the following:

Concept	2017
Income before Taxes	\$ 189,720
Non-deductible expenses	
Higher value tax provision	(129,092)
Provision of inventories	87,040
Taxes assumed	52,500
Parafiscal contributions caused not paid	64,135
Interest, fines, and penalties	141,585
Levy on financial transactions	16,035
Miscellaneous non-deductible expenses	168,907
Total Non-deductible expenses	401,110
Net income taxable	590,830
Income tax rate	34%
Current income tax	\$ 200,882

The balances corresponding to the current tax assets as of December 31, 2017, and 2016 include:

	2017	2016
Withholding at the Source	\$ 437,838	\$ 182,673
Trade and Industry	11,959	17,351
CREE	-	7,615
Total current tax assets	\$ 449,797	\$ 207,639

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Deferred tax liability

Concept	COUNTABLE BALANCE	FISCAL BALANCE	Temporary difference	RATE	DEFERRED TAX
Provision of portfolio clients	\$ 88.224	\$ 172.811	\$ 84.587	34%	\$ 28.760

Liabilities deferred tax movement

	Deferred Tax liability
Initial Balance at 2016	\$ 59.245
Credit as a result of the period	30,485
Final balance 2017	\$ 28.760

Income tax expense is composed by:

	2017	2016
Current income tax	\$ 200.882	\$ 95.826
Deferred income tax	(30.485)	59,245
Total Income expense	\$ 170.397	\$ 155.071

TAX REFORM

The National Government issued the law on December 29, 1819, with the date of 2016, which adopts a structural tax reform, strengthening the mechanisms for the fight against tax evasion and tax avoidance and other provisions. The following is a summary of the changes that have been made and that may affect the company:

- ✓ From 2017 eliminates the tax for the equity created and unified the income tax and complementary to the rate of 34%.
- ✓ The reform harmonizes the tax system with the new accounting standards applicable to all companies. The Law updates the Tax Accounting language of the statute, which now will refer to IFRS. The companies will then move from 4 accounting systems (Decree 2649 of 1993, IFRS, fiscal conciliation and tax book) to a system that performs the tax reconciliation directly from the IFRS accounting.
- ✓ The company is from 2019 will be a single rate of income tax of 33%. During 2017 the rate will be 34% More 6% surcharge and for the 33% 2018 The 4% surcharge. The surcharge applies only to companies that have liquid income over \$800 million. The surcharge is subject to an advance payment of 100% of the tax base of the immediately preceding year.
- ✓ The collection of the retain believes is replaced with a special "retain" with the same factors of the retain is at this moment repealed.

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- ✓ The rate of the rental rate of the zones for industrial users and services shall be equivalent to 20 percent.
- ✓ The company can deduct from the tax on income tax paid in the acquisition of capital goods.
- ✓ From 2017, the dividends that correspond to utilities that have already paid in the head of the company will have the following treatment:
 - If they are distributed to natural persons residing in Colombia:
 - Exempt up to 600 UVT;
 - If they are greater than 600 UVT and less than 1000 UVT are taxed at 5%; and
 - If they are greater than 1000 UVT will be taxed at 10%.
 - If the dividends are distributed to a non-resident or non-domiciled in Colombia (individual or company) will be taxed at the 5% if profits are not taxable at the head of the company. If the dividends decreed as encumbered assets by Article 49 of the Tax Statute applies the 35%. To the usefulness for the shareholder after the discount is applied to the tax of 5% or 10% as appropriate.
- ✓ There is no lien for dividends that are distributed among company is national, except that revenues have not been encumbered assets in the company that distributes them.
- ✓ Limiting the amortization of tax losses to 12 years, eliminating the possibility to readjust them fiscally.
- ✓ Multiple rules are created in the field of firmness of tax declarations:
 - The general term shall be for three (3) years following the date of expiry of the deadline to declare if the statement is presented in an untimely manner, the three (3) years counted from the filing date of the same.
 - The statement that a balance will be in strong yes, three (3) years after the date of submission of the application for refund or compensation, no requirement has been reported.
 - If the taxpayer is subject to transfer pricing, the term shall be six (6) years.
 - If the taxpayer liquid tax losses will be in the term of six (6) years. If this is offset in the two (2) years, the same will be extended, from there, for three (3) years in connection with the statement in that loss.
- ✓ Foreign payments unify the withholding tax rates at 15%, a reduction of the 33% rate applied for concepts other than technical assistance, consultancies and technical services and an increase to the latter rate is presented. Additionally, foreign payments made to parent companies for administration or management services, whether from a national or foreign source, are taxed with a withholding tax of 15%.
- The Government increased the rate of the presumptive income to 3.5% and eliminated the ability to readjust fiscally the excesses of presumptive income.

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- There are some changes to the operative event for the VAT, to include:
 - The services provided in the national territory, or from the outside.
 - The assignment of rights associated with the industrial property.
 - The acquisition or licensing of intangible assets.
- A general rate of a VAT of 19%.
- Several products change your rating of excluded 19% encumbered assets, and some services are exempt to excluded, such as the case of connection services and access to the Internet from fixed networks of residential subscribers of the strata 1 and 2.
- It is gravel with the rate of 5% on the sale of new housing more than 26,800 UVT. Those units are excluded when a purchase-sale promise, pre-sale contract, purchase-sale deed or similar document has been subscribed before December 31, 2017.
- In connection with the services of restaurant repealing the provision which stated that if there was exploitation of intangible assets remained in the macro in the vat. With this standard are defined within the orbit of the National Tax Consumption concessions or franchises, royalties.
- Overrides the progressive elimination of GMF and sets the rate in the 4 per thousand.

17. EQUITY

Capital - The capital subscribed, and paid-up capital is composed of 8,138 shares at a nominal value of 1.000 pesos each.

The balance of the capital is composed as follows:

SHAREHOLDER	Participation in the Capital Subscribed	No. of shares
Digital Imaging Solutions S.A.S.	33.11%	2,708
Jaava Asesores Integrales S.A.S.	21.53%	1,761
Yaru Superannuation Fund	14.57%	1,191
The Csa Trust	9.33%	763
The Medallo Trust	9.34%	764
The Longreach Family Trust	1.62%	133
Virginia Marin	3.06%	250
Carmen Cecilia Arango Bonnet	3.06%	250
John Alexander Sanz Ramirez	2.67%	218
Manuel Fernando Becerra Arevalo	1.22%	100
Diego Angulo Pabón	0.25%	20
Yeimy Elizabeth Mendez Reina	0.25%	20
Total Participation in the Capital	100%	8.178

Capitalization - by the records 31 and 34 of the 29 July 2016 and the 30 of November of 2016, the General Assembly proposes to increase the patrimony, in the year 2017 was approved the increase of 3,178 ordinary shares with the aim of strengthening the equity and extinguish liabilities in favor of partners and third parties. In one of the 796 operations were issued shares of which were signed and

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Paid 634 actions with a total value of \$1.378.718. Value received foreign investment \$572.937 and capitalization of debts with shareholders in the amount of \$808.959; values caused by the capital surplus premium in placement.

18. INCOME FROM ORDINARY ACTIVITIES AND OTHER INCOME

The balances at 31 December 2017 and 2016 are as follows:

	2017	2016
Sale of medical equipment	\$ 500.121	\$ 303.211
Sale of medical equipment and licenses for use (1) software	4,074,891	1,292,916
Sale of inputs	209,062	290,715
Leasing equipment and software and services	5,205,455	5,064,143
Service for maintenance of equipment and software	223,587	194,743
Returns, price reductions and discounts	(16.019)	(45.401)
Total income from ordinary activities and other income	\$ 10.197.097	\$ 7.100.327

(1) The increase corresponds to negotiations that had been planned in advance and that for the year 2017 were implemented, another of the factors to the increase was by the entry of new customers.

19. OTHER INCOME

The balances at 31 December 2017 and 2016 corresponding to other income are the following:

	2017	2016
Financial (see details below)	\$ 14.111	\$ 43.224
Services (1)	2,688	13,498
Profit on sale of assets	362	-
Recoveries (2)	18,763	4,056
Compensations (3)	12,762	1,064
Miscellaneous (4)	8,720	554
Total Other Income	\$ 57.406	\$ 62.396

(1) Corresponds to the recognition of the per diem reinstated by the clients, to cover the costs of visits of Engineers, also the entrance by the shipment of the merchandise by freight.

(2) It corresponds to the resources obtained by reimbursement of costs and expenses.

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- (3) It corresponds to the income for breach of contract with Clinica de la Sabana.
- (4) It corresponds to the recovery of costs and expenses of exercises from previous years.

The detail of financial income is as follows:

	<u>2017</u>	<u>2016</u>
Financial income (1)	\$ 77	\$ 427
The difference in change (2)	13,738	42,797
Trade discounts (3)	296	-
Total financial income	<u>\$ 14.111</u>	<u>\$ 43.224</u>

- (1) Represent an increase in the utility for financial performance in the savings accounts of Davivienda and Banco Colpatría.
- (2) The balance represents the value of the income for the business operations in foreign currency, given the variations of the currency in the purchase or acquisition of goods and services or the sale to foreign clients.
- (3) Represents the value of a discount for early payment to Epson Colombia Ltda.

20. COST OF SALE

Balances by the concept of cost of sales to 31 December 2017 and 2016 include:

	<u>2017</u>	<u>2016</u>
Cost of the sale of equipment and software (1)	\$ 4.673.257	\$ 2.756.611
Cost of production and operation (2)	1.465.551	1.366.273
Total cost of sales	<u>\$ 6.138.808</u>	<u>\$ 4.122.884</u>

- (1) Corresponds to the cost incurred necessary for the marketing of the sale of medical equipment, ultrasound scanners, the printing films and cassettes; as well as the licenses for scanners, and voice recognition, among others.
- (2) The costs of production and operation correspond to the cost of engineering, support, and development that are directly involved in the development of the software Hiruko and their versions, in addition to the personnel involved in the exercise of implementation and maintenance of the system and generating equipment of the operating income of the company.

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21. ADMINISTRATIVE EXPENSES

The balances as of December 31, 2017, and 2016 relating to administration expenses are as follows:

	<u>2.017</u>	<u>2.016</u>
Staff expenses (1)	\$ 467.448	\$ 393.299
Fees (2)	153.117	115.981
Taxes (3)	168.199	90.598
Leases (4)	190.950	149.486
Insurance	34.106	37.792
Services	109.480	105.575
Legal expenses	8.410	12.555
Maintenance	14.606	125.057
Adaptations	15.365	-
Travel expenses	59.292	29.360
Depreciations	264.136	98.937
Amortizations	244.393	84.947
Miscellaneous (5)	46.864	55.763
Provisions (6)	87.040	-
Total Administrative expenses	<u>\$ 1.863.406</u>	<u>\$ 1.299.350</u>

- (1) Represent the expenses incurred in the human talent, necessary for the development of the social object of IMEXHS, among them is the administrative and managerial personnel of the company.
- (2) It is made up of the costs generated by technical and financial audit service, external auditor and legal advice with Asesorum S.A.S.
- (3) Represents the expenses incurred in taxes as Industry and Commerce, the difference in the VAT deductible that is not taken as deductible VAT declarations and the tax on the wealthy.
- (4) Lease costs are made up of the canon of the offices of Bogota and Medellin where he manages all its operations and by the canon of the winery.
- (5) Represents all expenses incurred for the management of the company, among them are: Restaurant service, stationery, toiletries and a coffee shop/café.
- (6) The provisions of 2017 correspond to the deterioration suffered by the inventory that had no rotation for more than a year.

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22. SALES EXPENSES

The balances as of December 31, 2017, and 2016 for selling expenses are:

	<u>2.017</u>	<u>2.016</u>
Staff expenses (1)	\$ 886.263	\$ 458.063
Fees	86.060	95.963
Leases	22.646	24.467
Services	20.414	22.666
Maintenance	8.654	1.078
Travel expenses (2)	223.211	97.389
Miscellaneous	89.217	57.273
Provisions	43.719	150.855
Total sales expenses	<u>\$ 1.380.184</u>	<u>\$ 907.754</u>

(1) Represent the expenses incurred in the human talent dedicated to the marketing and distribution of IMEXHS.

(2) It represents the travel expenses of staff on behalf of IMEXSH.

23. OTHER EXPENSES

The balances as of December 31, 2017, and 2016 for other expenses are

	<u>2.017</u>	<u>2.016</u>
Loss on sale and removal of movable property	\$ 70.942	\$ -
Extra expenses	13.725	-
Miscellaneous (1)	175.627	123.401
Total Other expenses	<u>\$ 260.294</u>	<u>\$ 123.401</u>

(1) In the year 2017 relate primarily to loss or sale of fixed assets and fines and penalties.

24. FINANCIAL EXPENDITURE

The balances corresponding to financial expenses as of December 31, 2017, and 2016 include:

	<u>2.017</u>	<u>2.016</u>
Bank expenses	\$ 53.940	\$ 56.060
Current interests (1)	180.135	174.729
Late interest (2)	125.037	106.119
Difference in change	58.437	9.871

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Trade discounts	3.000	-
Others	7	13
Total financial expenses	<u>\$ 420.557</u>	<u>\$ 346.792</u>

- (1) Represent the interest flows originated by the financial obligations.
- (2) Relate mainly to the interest generated by the failure to timely payment of taxes by \$97 million and payment of interest on arrears of social security in the amount of \$16

25. TRANSACTIONS THAT NEITHER GENERATED OR USED CASH

The following transactions were accounted for in the financial statements and did not affect the increase or decrease in cash.

	2.01
	<u>7</u>
Capitalization of debts	\$ 808.959
Reclassification of intangible licenses	603.422
Reclassification of equipment such as fixed assets	298.386

26. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the closure of the financial statements until the date of their approval that may significantly affect the fiscal and financial situation of the Society IMAGING EXPERTS AND HEALTHCARE SERVICES S.A.S., reflected in the financial statements.
