

Thai Nakin Hospital Public Company Limited  
Report and financial statements  
31 July 2020

## **Independent Auditor's Report**

To the Shareholders of Thai Nakarin Hospital Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of Thai Nakarin Hospital Public Company Limited (“the Company”), which comprise the statement of financial position as at 31 July 2020, and the related statements of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Nakarin Hospital Public Company Limited as at 31 July 2020, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

I draw attention to Note 1.2 and 3 to the financial statements. Due to the impact of the COVID-19 outbreak, in preparing the financial information for the year ended 31 July 2020, the Company has adopted the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic issued by the Federation of Accounting Professions.

The COVID-19 pandemic evolved, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation affects the Company in its investment in the General Fixed Income Fund managed by a fund management company that announced the termination of the fund in late March 2020 and is currently under liquidation. However, the impact cannot be reasonably estimated at this stage. The Company's management has continuously monitored the ongoing developments and assessed the financial impact in respect of the valuation of assets, including the investment in the General Fixed Income Fund, provisions and contingent liabilities, and will record the impact when it is possible to do so.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matter and how audit procedures respond to the matter are described below.

#### *Revenue recognition*

Revenues from hospital operations are considered significant in the financial statements as the amounts recorded are material, representing 99% of the total revenues and they directly affect the operating results of the Company. In addition, there are various components in revenues from hospital operations which include revenue from sales of medicines and medical supplies, revenue from medical services, revenue from patient rooms, including discounts for counterparties, whereas the agreements contain various conditions for each party. I therefore gave significant attention to the revenue recognition of the Company.

I examined the revenue recognition of the Company by assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making enquires of responsible executives, gaining an understanding of the controls and selecting representative samples to the operation of the designed controls. In addition, I applied a sampling method to select revenue from hospital operation transactions occurring during the year to examine the supporting documents. I requested a balance confirmation from accounts receivable and tested revenue cut-off. I also performed analytical procedures of disaggregated data and significant financial ratios with the past information and industry to detect possible irregularities in revenues from sales and services throughout the period, particularly for accounting entries made through journal vouchers.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 11 September 2020

**Thai Nakaran Hospital Public Company Limited****Statement of financial position****As at 31 July 2020**

		(Unit: Baht)	
		31 July	31 July
	Note	2020	2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	312,038,932	267,719,290
Current investments	8	645,637,776	421,941,607
Trade and other receivables	6, 9	119,921,494	147,934,391
Inventories	10	33,417,578	27,826,572
Other current assets		<u>99,929</u>	<u>3,052,699</u>
<b>Total current assets</b>		<u>1,111,115,709</u>	<u>868,474,559</u>
<b>Non-current assets</b>			
Long-term deposits at financial institutions	11	-	100,000,000
Property, plant and equipment	12	480,108,311	484,917,651
Intangible assets	13	2,784,647	3,185,555
Leasehold rights	14	629,534,222	651,845,592
Deferred tax assets	19	21,025,276	18,449,707
Other non-current assets		<u>273,335</u>	<u>118,229</u>
<b>Total non-current assets</b>		<u>1,133,725,791</u>	<u>1,258,516,734</u>
<b>Total assets</b>		<u>2,244,841,500</u>	<u>2,126,991,293</u>

The accompanying notes are an integral part of the financial statements.

**Thai Nakarin Hospital Public Company Limited**  
**Statement of financial position (continued)**  
**As at 31 July 2020**

		(Unit: Baht)	
	Note	31 July 2020	31 July 2019
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade and other payables	15	126,587,006	155,635,862
Doctor fee payable	6	73,104,294	81,660,162
Income tax payable		14,991,231	29,020,934
Other current liabilities		931,170	1,083,424
<b>Total current liabilities</b>		<b>215,613,701</b>	<b>267,400,382</b>
<b>Non-current liabilities</b>			
Provision for long-term employee benefits	16	97,551,354	81,176,693
Other non-current liabilities		969,430	523,000
<b>Total non-current liabilities</b>		<b>98,520,784</b>	<b>81,699,693</b>
<b>Total liabilities</b>		<b>314,134,485</b>	<b>349,100,075</b>
<b>Shareholders' equity</b>			
Share capital			
Registered			
180,000,000 ordinary shares of Baht 1 each		180,000,000	180,000,000
Issued and fully paid-up			
180,000,000 ordinary shares of Baht 1 each		180,000,000	180,000,000
Share premium		20,537,768	20,537,768
Retained earnings			
Appropriated - statutory reserve	17	18,000,000	18,000,000
Unappropriated		1,712,169,247	1,559,353,450
<b>Total shareholders' equity</b>		<b>1,930,707,015</b>	<b>1,777,891,218</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,244,841,500</b>	<b>2,126,991,293</b>

The accompanying notes are an integral part of the financial statements.

Directors



**Thai Nakarin Hospital Public Company Limited**  
**Statement of comprehensive income**  
**For the year ended 31 July 2020**

(Unit: Baht)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Profit and loss:</b>			
<b>Revenues</b>			
Revenues from hospital operations		2,009,023,777	2,155,147,992
Other income		<u>28,441,943</u>	<u>29,926,748</u>
<b>Total revenues</b>		<u>2,037,465,720</u>	<u>2,185,074,740</u>
<b>Expenses</b>			
Cost of hospital operations	18	1,527,305,266	1,580,599,994
Administrative expenses		<u>194,330,464</u>	<u>212,822,553</u>
<b>Total expenses</b>		<u>1,721,635,730</u>	<u>1,793,422,547</u>
<b>Profit before income tax expenses</b>		315,829,990	391,652,193
Income tax expenses	19	<u>(59,495,234)</u>	<u>(74,126,815)</u>
<b>Profit for the year</b>		<u>256,334,756</u>	<u>317,525,378</u>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss	16	(5,648,699)	(237,982)
Less: Income tax effect	19	<u>1,129,740</u>	<u>47,596</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<u>(4,518,959)</u>	<u>(190,386)</u>
<b>Other comprehensive income for the year</b>		<u>(4,518,959)</u>	<u>(190,386)</u>
<b>Total comprehensive income for the year</b>		<u>251,815,797</u>	<u>317,334,992</u>
<b>Basic earnings per share</b>			
Profit	20	<u>1.42</u>	<u>1.76</u>
Weighted average number of ordinary shares (shares)		<u>180,000,000</u>	<u>180,000,000</u>

The accompanying notes are an integral part of the financial statements.

**Thai Nakin Hospital Public Company Limited****Statement of cash flows****For the year ended 31 July 2020**

(Unit: Baht)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Profit before tax	315,829,990	391,652,193
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation expenses	87,126,717	85,880,116
Bad debts and doubtful debts	1,580,374	1,638,696
Long-term employee benefit expenses	12,584,309	25,086,235
Gain on disposals of equipment	(4,496,740)	(791,511)
Gain on sales and change in value of investments in trading securities	(1,955,065)	(4,011,350)
Interest income	(9,517,854)	(11,682,481)
Profit from operating activities before changes in operating assets and liabilities	401,151,731	487,771,898
Decrease (increase) in operating assets		
Trade and other receivables	27,080,297	(21,348,581)
Inventories	(5,591,006)	3,353,276
Other current assets	2,952,770	(28,034)
Other non-current assets	(155,106)	29,781
Increase (decrease) in operating liabilities		
Trade and other payables	(28,085,467)	10,883,900
Doctor fee payable	(8,555,868)	10,007,986
Other current liabilities	(152,254)	149,632
Provision for long-term employee benefits	(1,858,347)	(3,858,663)
Other non-current liabilities	446,430	-
Cash from operating activities	387,233,180	486,961,195
Cash paid for income tax	(74,970,766)	(79,998,244)
<b>Net cash from operating activities</b>	<u>312,262,414</u>	<u>406,962,951</u>

The accompanying notes are an integral part of the financial statements.

**Thai Nakin Hospital Public Company Limited****Statement of cash flows (continued)****For the year ended 31 July 2020**

(Unit: Baht)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>		
Interest received	8,870,080	13,113,766
Net decrease (increase) in current investments	(221,741,104)	300,000,000
Decrease in long-term deposits at financial institutions	100,000,000	-
Cash paid for purchases of building improvement and equipment	(60,463,535)	(61,745,208)
Cash paid for purchase of intangible assets	(717,670)	(255,623)
Cash paid for purchase of leasehold rights	-	(668,000,000)
Cash received from disposals of equipment	<u>5,109,457</u>	<u>941,828</u>
<b>Net cash used in investing activities</b>	<u>(168,942,772)</u>	<u>(415,945,237)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	<u>(99,000,000)</u>	<u>(108,000,000)</u>
<b>Net cash used in financing activities</b>	<u>(99,000,000)</u>	<u>(108,000,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	44,319,642	(116,982,286)
Cash and cash equivalents at beginning of year	<u>267,719,290</u>	<u>384,701,576</u>
<b>Cash and cash equivalents at end of year (Note 7)</b>	<u><u>312,038,932</u></u>	<u><u>267,719,290</u></u>
 <b>Supplemental cash flows information</b>		
Non-cash items		
Write-off trade receivables as bad debts	2,141,584	1,838,029
Accounts payable - construction and equipment purchase	12,530,176	13,493,563

The accompanying notes are an integral part of the financial statements.

**Thai Nakarin Hospital Public Company Limited**

**Statement of changes in shareholders' equity**

**For the year ended 31 July 2020**

(Unit: Baht)

	Note	Issued and paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 August 2018</b>		180,000,000	20,537,768	18,000,000	1,350,018,458	1,568,556,226
Profit for the year		-	-	-	317,525,378	317,525,378
Other comprehensive income for the year		-	-	-	(190,386)	(190,386)
Total comprehensive income for the year		-	-	-	317,334,992	317,334,992
Dividend paid	21	-	-	-	(108,000,000)	(108,000,000)
<b>Balance as at 31 July 2019</b>		<u>180,000,000</u>	<u>20,537,768</u>	<u>18,000,000</u>	<u>1,559,353,450</u>	<u>1,777,891,218</u>
<b>Balance as at 1 August 2019</b>		180,000,000	20,537,768	18,000,000	1,559,353,450	1,777,891,218
Profit for the year		-	-	-	256,334,756	256,334,756
Other comprehensive income for the year		-	-	-	(4,518,959)	(4,518,959)
Total comprehensive income for the year		-	-	-	251,815,797	251,815,797
Dividend paid	21	-	-	-	(99,000,000)	(99,000,000)
<b>Balance as at 31 July 2020</b>		<u>180,000,000</u>	<u>20,537,768</u>	<u>18,000,000</u>	<u>1,712,169,247</u>	<u>1,930,707,015</u>

The accompanying notes are an integral part of the financial statements.

# **Thai Nakarin Hospital Public Company Limited**

## **Notes to financial statements**

**For the year ended 31 July 2020**

### **1. General information**

#### **1.1 Corporate information**

Thai Nakarin Hospital Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in hospital business. The registered office of the Company is at No. 345 Thepparat Road, Kwaeng Bangna Nuea, Khet Bangna, Bangkok.

#### **1.2 Coronavirus disease 2019 Pandemic**

The COVID-19 pandemic evolved, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation affects the Company in its investment in the General Fixed Income Fund managed by a fund management company that announced the termination of the fund in late March 2020 and is currently under liquidation. However, the impact cannot be reasonably estimated at this stage. The Company’s management has continuously monitored the ongoing developments and assessed the financial impact in respect of the valuation of assets, including the investment in the General Fixed Income Fund, provisions and contingent liabilities, and will record the impact when it is possible to do so.

### **2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### **3. New financial reporting standards**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

**(a) Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

## **Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Company has elected to apply the following temporary relief measures on accounting alternatives:

- To lightly weight information relating to the COVID-19 situation in applying the valuation technique to measure the fair value of financial assets in the form of debt instruments using Level 2 or Level 3 inputs.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

### **(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

#### **Thai Financial Reporting Standards related to financial instruments**

The set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 9	Financial Instruments
TFRS 7	Financial Instruments: Disclosures

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.



## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Revenue from hospital operations*

Revenues from hospital operations, mainly consisting of medical fees, hospital room sales and medicine sales, are recognised as income when services have been rendered or medicines have been delivered.

#### *Revenue from rental*

Revenue from rental is recognised over the term of the rental agreements.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective rate.

#### *Other income*

Other income is recognised on an accrual basis.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of 3 months or less and not subject to withdrawal restrictions.

### **4.3 Investments in trading securities**

Investments in securities held for trading are stated at fair value. Changes in the fair value, which is determined from the net asset value of these securities, are recorded in profit or loss.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### **4.4 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### **4.5 Inventories**

Inventories are valued at the lower of cost (first-in first out) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### 4.6 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Particulars	Useful lives (years)	
	Assets acquired before 1 August 2004	Assets acquired as from 1 August 2004
	Land improvement	30
Buildings	25	Over the lease term
Building improvement	10	10
Facility systems	15, 20	3 - 10
Medical accessory equipment	5 - 20	5 - 15
Furniture, fixtures and equipment	8 - 15	5 - 10
Vehicles	10	10

Depreciation is included in determining income. No depreciation is provided on land and assets under construction and installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.7 Intangible assets

Intangible assets are measured at cost on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	10 years

#### **4.8 Leasehold rights**

Leasehold rights are amortised on the straight-line basis over the lease period.

#### **4.9 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### **4.10 Long-term leases**

Leases of property which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.11 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in profit or loss when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.12 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.13 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits and other long-term employee benefits***

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

###### *Defined benefit plans and other long-term employee benefits*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term employee benefits are recognised immediately in profit or loss.

#### **4.14 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.15 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while its recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.16 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, debt collection experience, aging profile of outstanding debts and the prevailing economic condition.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both), liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Property, plant and equipment and depreciation**

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the Company's buildings and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and records impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Post-employment benefits and other long-term employee benefits under defined benefit plans**

The obligations under the post-employment benefit plan and other long-term employee benefit plan are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **Litigation**

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

## 6. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	<u>Transfer pricing policy</u>
Revenues from hospital operations	Based on the price charged to normal customers
Rental income	Rates as stipulated in the agreements
Doctor fee expenses (directors and management)	The same rate as other doctors in the hospital
Medical welfare expenses	Under the Company's regulations, medical welfare benefits are granted to directors, their spouses, children and parents, up to a specified amount per annum. These benefits exclude doctor fees, examinations conducted on other premises and special equipment charges

	(Unit: Thousand Baht)	
	<u>For the years ended 31 July</u>	
	<u>2020</u>	<u>2019</u>
<u>Transactions with related companies and persons</u>		
Revenues from hospital operations	102	49
Rental income	319	300
Doctor fee expenses (directors and management)	11,411	11,594
Medical welfare expenses	3,230	4,250



The balances of accounts as at 31 July 2020 and 2019 between the Company and its related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<b><u>Trade receivables - related parties (Note 9)</u></b>		
Related companies (related by common shareholders and directors)	-	4
Total trade receivables - related parties	-	4
<b><u>Other receivables - related parties (Note 9)</u></b>		
Related companies (related by common shareholders and directors)	67	81
Total other receivables - related parties	67	81
<b><u>Doctor fee payable - related persons</u></b>		
Related persons (directors and management)	1,038	947
Total doctor fee payable - related persons	1,038	947

**Directors and management's benefits**

During the years ended 31 July 2020 and 2019, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	30,558	32,199
Post-employment benefits	8,277	7,161
Total	38,835	39,360

## 7. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Cash	6,974	5,723
Bank deposits	305,065	261,996
Total cash and cash equivalents	<u>312,039</u>	<u>267,719</u>

As at 31 July 2020, bank deposits in savings accounts carried interests between 0.05 and 1.15 percent per annum (2019: between 0.10 and 1.38 percent per annum).

## 8. Current investments

8.1 As at 31 July 2020 and 2019, current investments consisted of the following:

	(Unit: Thousand Baht)			
	Investments		Interest rate	
	<u>2020</u>	<u>2019</u>	(percent per annum)	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Fixed deposits at financial institutions (6 - 12 months)	620,348	170,000	0.60 - 2.15	1.70 - 1.85
Investments in trading securities - fair value (Note 8.2)	<u>25,290</u>	<u>251,942</u>		
Total current investments	<u>645,638</u>	<u>421,942</u>		

8.2 Movements in the investments in trading securities for the years ended 31 July 2020 and 2019 are summarised below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Net balance at beginning of the year	251,942	247,930
Sales during the year - at cost		-
Proceeds from sales	(100,000)	-
Gain on sales	332	-
Total	(99,668)	-
Gain on change in value	1,623	4,012
Cash received from fund	<u>(128,607)</u>	-
Net balance at end of the year	<u>25,290</u>	<u>251,942</u>

In late March 2020, TMBAM Eastspring announced the dissolution of TMB Thana Plus Fund (TMBTHANAPLUS), in which the Company had the investment of Baht 153.9 million as at a date of dissolution (31 July 2019: Baht 251.9 million). The payout amounts are as follows:

Date received	Amount per unit (Baht/unit)	Total amount (Million Baht)
30 March 2020	1.0956	13.8
10 April 2020	0.3652	4.6
24 April 2020	0.6087	7.7
8 May 2020	1.1000	13.9
22 May 2020	0.7500	9.5
5 June 2020	0.7500	9.5
19 June 2020	0.6100	7.7
3 July 2020	1.4000	17.7
17 July 2020	0.5000	6.3
24 July 2020	1.9000	24.0
31 July 2020	1.1000	13.9
Total payout amount as at 31 July 2020	10.1795	128.6
Date received	Amount per unit (Baht/unit)	Total amount (Million Baht)
14 August 2020	0.9000	11.4
28 August 2020	0.5000	6.3
Total payout amount after the reporting period	1.4000	17.7

## 9. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<b><u>Trade receivables - related parties</u></b>		
Aged on the basis of due dates		
Not yet due	-	2
Past due		
Up to 3 months	-	2
Total trade receivables - related parties	-	4
<b><u>Trade receivables - unrelated parties</u></b>		
Aged on the basis of due dates		
Not yet due	55,577	78,321
Past due		
Up to 3 months	40,381	53,862
3 - 6 months	11,893	7,056
6 - 12 months	7,054	3,598
Over 12 months	1,510	1,589
Total trade receivables - unrelated parties	116,415	144,426
Less: Allowance for doubtful accounts	(2,266)	(2,827)
Total trade receivables - unrelated parties - net	114,149	141,599
Total trade receivables - net	114,149	141,603
<b><u>Other receivables</u></b>		
Other receivables - related parties	67	81
Other receivables - unrelated parties	4,031	5,223
Accrued interest income	1,674	1,027
Total other receivables	5,772	6,331
Total trade and other receivables - net	119,921	147,934

## 10. Inventories

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Medicines and medical supplies	28,690	23,560
Supplies and others	4,728	4,267
Total	<u>33,418</u>	<u>27,827</u>

## 11. Long-term deposits at financial institutions

Movements in long-term deposits at financial institutions during the year ended 31 July 2020 are summarised below.

	(Unit: Thousand Baht)			
	Balance as at	During the year		Balance as at
	<u>31 July 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>31 July 2020</u>
Long-term deposits at financial institutions	100,000	-	(100,000)	-
Total	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>

As at 31 July 2019, long-term deposits at financial institutions carried interest 1.95 percent per annum.

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Land and land improvements	Buildings and building improvements	Facility systems	Medical accessory equipment	Furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Cost</b>								
1 August 2018	227,120	432,910	304,539	500,010	145,276	13,822	8,896	1,632,573
Additions	-	-	811	32,201	11,537	-	17,048	61,597
Transfer in (transfer out)	-	636	2,252	337	7,434	-	(10,659)	-
Disposals and write-off	-	-	(957)	(6,670)	(1,564)	-	-	(9,191)
31 July 2019	227,120	433,546	306,645	525,878	162,683	13,822	15,285	1,684,979
Additions	-	16	4,448	30,888	1,417	-	22,731	59,500
Transfer in (transfer out)	26	511	6,750	26	2,145	-	(9,458)	-
Disposals and write-off	-	(300,829)	(1,604)	(25,665)	(10,626)	(1,350)	-	(340,074)
31 July 2020	227,146	133,244	316,239	531,127	155,619	12,472	28,558	1,404,405

(Unit: Thousand Baht)

	Land and land improvements	Buildings and building improvements	Facility systems	Medical accessory equipment	Furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Accumulated depreciation</b>								
1 August 2018	1,951	399,231	269,438	333,957	124,643	11,217	-	1,140,437
Depreciation for the year	58	10,379	8,243	39,174	10,298	513	-	68,665
Depreciation on disposals and write-off	-	-	(807)	(6,670)	(1,564)	-	-	(9,041)
31 July 2019	2,009	409,610	276,874	366,461	133,377	11,730	-	1,200,061
Depreciation for the year	47	6,480	7,909	39,160	9,624	477	-	63,697
Depreciation on disposals and write-off	-	(300,829)	(1,263)	(25,433)	(10,586)	(1,350)	-	(339,461)
31 July 2020	2,056	115,261	283,520	380,188	132,415	10,857	-	924,297
<b>Net book value</b>								
31 July 2019	225,111	23,936	29,771	159,417	29,306	2,092	15,285	484,918
31 July 2020	225,090	17,983	32,719	150,939	23,204	1,615	28,558	480,108
<b>Depreciation for the year</b>								
2019 (Baht 65.22 million included in cost of hospital operations, and the balance in administrative expenses)								68,665
2020 (Baht 60.89 million included in cost of hospital operations, and the balance in administrative expenses)								63,697

As at 31 July 2020, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 648.52 million (2019: Baht 929.54 million).

### 13. Intangible assets

The net book value of intangible assets, which are computer software, as at 31 July 2020 and 2019 is presented below.

(Unit: Thousand Baht)

<b>Cost</b>	
1 August 2018	20,772
Additions	256
31 July 2019	21,028
Additions	717
31 July 2020	21,745
<b>Accumulated amortisation</b>	
1 August 2018	16,781
Amortisation for the year	1,061
31 July 2019	17,842
Amortisation for the year	1,118
31 July 2020	18,960
<b>Net book value</b>	
31 July 2019	3,186
31 July 2020	2,785



#### 14. Leasehold rights

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Cost	668,000	668,000
Less: Accumulated amortisation	<u>(38,466)</u>	<u>(16,154)</u>
Book value - net	<u>629,534</u>	<u>651,846</u>

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Net book value as at beginning of the year	651,846	668,000
Amortisation for the year	<u>(22,312)</u>	<u>(16,154)</u>
Net book value as at end of the year	<u>629,534</u>	<u>651,846</u>

The Company entered into a long-term lease agreement for lease of land and building on which are the current operation hospital building with Thai Red Cross Society. The agreement is for a period of 30 years, from 9 November 2018 to 8 November 2048 with the lease payment of Baht 668 million, being payable in full upon signing the new lease agreement. The Company paid the lease payment of Baht 668 million to the Thai Red Cross Society on 22 February 2019.

#### 15. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Trade payables - unrelated parties	60,095	85,550
Other payables - unrelated parties	16,087	21,535
Accounts payable - construction and equipment purchase	12,530	13,494
Accrued expenses	<u>37,875</u>	<u>35,057</u>
Total trade and other payables	<u>126,587</u>	<u>155,636</u>

## 16. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employees' retirement and long service awards, was as follows:

(Unit: Thousand Baht)

	Retirement benefit plan	Long service award plan	Total
<b>As at 1 August 2018</b>	52,734	6,977	59,711
Current service cost	7,662	1,498	9,160
Past service cost from plan changes	18,125	-	18,125
Interest cost	1,518	250	1,768
Actuarial (gain) loss arising from			
Demographic assumptions changes	2,729	(145)	2,584
Financial assumptions changes	29	94	123
Experience adjustments	(2,520)	(3,916)	(6,436)
Benefits paid during the year	(3,223)	(635)	(3,858)
<b>As at 31 July 2019</b>	77,054	4,123	81,177
Current service cost	10,177	486	10,663
Interest cost	1,697	88	1,785
Actuarial loss arising from			
Financial assumptions changes	5,648	136	5,784
Benefits paid during the year	(1,307)	(551)	(1,858)
<b>As at 31 July 2020</b>	93,269	4,282	97,551

Long-term employee benefit expenses included in the profit or loss were as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Current service cost	10,663	9,160
Past service cost from plan changes	-	18,125
Interest cost	1,785	1,768
Actuarial (Gain) /Losses	136	(3,967)
Total expenses recognised in profit or loss	<u>12,584</u>	<u>25,086</u>
Line items in profit or loss under which such expenses are included		
Cost of hospital operations	8,038	17,360
Administrative expenses	4,546	7,726

The Company expects to pay Baht 8.45 million of long-term employee benefits during the next year (2019: Baht 4.73 million).

As at 31 July 2020, the weighted average duration of the liabilities for long-term employee benefits is 14 years (2019: 14 years).

Key actuarial assumptions used for the valuation are as follows:

	<u>2020</u>	<u>2019</u>
	(% per annum)	(% per annum)
Discount rate	1.67	2.27
Future salary increase rate	4.50	4.50
Staff turnover rate (depending on age of employees)	0.00 - 25.00	0.00 - 25.00

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at 31 July 2020 and 2019 are summarised below.

	(Unit: Million Baht)			
	<u>2020</u>		<u>2019</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
Discount rate	(4.8)	5.2	(3.9)	4.2
	<u>Increase 1.0%</u>	<u>Decrease 1.0%</u>	<u>Increase 1.0%</u>	<u>Decrease 1.0%</u>
Future salary increase rate	9.9	(8.6)	7.2	(6.3)
	<u>Increase 10%</u>	<u>Decrease 10%</u>	<u>Increase 10%</u>	<u>Decrease 10%</u>
Staff turnover rate	(5.0)	5.5	(4.0)	4.3

## 17. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 18. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Salaries and wages and other employee benefits	542,253	565,286
Cost of doctors' fee	533,094	560,107
Cost of medicines and medical supplies, supplies and others	364,754	383,871
Depreciation and amortisation	87,127	85,880
Service fees for outside treatments	22,564	19,962
General supplies	24,896	24,403
Other expenses	146,948	153,914

## 19. Income tax

Income tax expenses for the years ended 31 July 2020 and 2019 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<b>Current income tax:</b>		
Current income tax charge	60,941	78,000
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(1,446)	(3,873)
<b>Income tax expenses reported in the income statements</b>	<u>59,495</u>	<u>74,127</u>

The amount of income tax relating to each component of other comprehensive income for the year ended 31 July 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Deferred tax on actuarial gain	1,130	48

The reconciliation between accounting profit and income tax expenses is presented below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax	315,830	391,652
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	63,166	78,330
Effects of:		
Non-deductible expenses	604	39
Additional expenses deductions allowed	(4,275)	(4,242)
Total	(3,671)	(4,203)
Income tax expenses reported in the statements of comprehensive income	59,495	74,127

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	453	566
Provision for long-term employee benefits	19,510	16,235
Accumulated depreciation - equipment	1,062	1,649
Total	21,025	18,450

## 20. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

## 21. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2018	Annual General Meeting of the shareholders on 15 November 2018	108.0	0.60
Total dividends for 2019		108.0	0.60
Final dividends for 2019	Annual General Meeting of the shareholders on 21 November 2019	99.0	0.55
Total dividends for 2020		99.0	0.55

## 22. Operating segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as executive committee.

The one main reportable operating segment of the Company is the hospital business and the single geographical area of its operation is Thailand. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the years ended 31 July 2020 and 2019, the Company has no major customer with revenue of 10 percent or more of its revenues.

## 23. Provident fund

The Company and its employees have jointly established a provident fund scheme in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 percent of basic salary. The fund is managed by TISCO Asset Management Company Limited and will be paid to the employees upon termination in accordance with the fund rules. During the year ended 31 July 2020, the contributions of Baht 3.31 million (2019: Baht 3.84 million) were recognised as expenses in profit or loss.

## 24. Commitments and contingent liabilities

### 24.1 Commitments under service agreements

The Company had total minimum payments to be paid in the future under the service agreements as follows:

	(Unit: Million Baht)	
	As at 31 July	
	<u>2020</u>	<u>2019</u>
Payable:		
In up to 1 year	10.6	11.3
In over 1 year and up to 3 years	1.2	1.0

### 24.2 Capital Commitments

As at 31 July 2020, the Company had capital commitments of Baht 22.1 million (2019: Baht 9.7 million) in respect of the acquisitions of medical equipment and facility systems.

### 24.3 Guarantees

- (a) As at 31 July 2020, the Company had credit facilities with a commercial bank for overdrafts of Baht 20.0 million and short-term loans of Baht 10.0 million (2019: Credit facilities with a commercial bank for overdrafts of Baht 21.5 million and short-term loans of Baht 10.0 million guaranteed by the Company's director).
- (b) As at 31 July 2020, the Company had outstanding bank guarantees of approximately Baht 4.8 million issued by the bank on behalf of the Company in respect of electricity use as required in the normal course of business. (2019: Baht 8.0 million these included letters of guarantee amounting to Baht 4.8 million to guarantee electricity use and Baht 3.2 million to guarantee the payment of Building and Land Tax or Local Development Tax).

## 25. Financial instruments

### 25.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade and other receivables, long-term deposits at financial institutions, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures, therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions. However, most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is therefore minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

	As at 31 July 2020					
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 to 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	305.07	6.97	312.04	0.05 - 1.15
Current investments	620.35	-	25.29	-	645.64	0.60 - 2.15
Trade and other receivables	-	-	-	119.92	119.92	-
	620.35	-	330.36	126.89	1,077.60	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	126.59	126.59	-
	-	-	-	126.59	126.59	



(Unit: Million Baht)

	As at 31 July 2019					Interest rate (% p.a.)	
	Fixed interest rates			Non- interest bearing	Total		
	Within 1 year	1 to 5 years	Floating interest rate				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	262.00	5.72	267.72	0.10 - 1.38	
Current investments	170.00	-	251.94	-	421.94	1.70 - 1.85	
Trade and other receivables	-	-	-	147.93	147.93	-	
Long-term deposits at financial institutions	-	100.00	-	-	100.00	1.95	
	<u>170.00</u>	<u>100.00</u>	<u>513.94</u>	<u>153.65</u>	<u>937.59</u>		
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	155.64	155.64	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>155.64</u>	<u>155.64</u>		

**Foreign currency risk**

The Company's exposure to foreign currency risk is minimal since the majority of business operations are denominated in Thai Baht.

**25.2 Fair value of financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market rate, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

**26. Fair values hierarchy**

As of 31 July 2020 and 2019, the Company had the assets that were measured at fair value as follows:

	(Unit: Million Baht)			
	2020		2019	
	Level 2	Total	Level 2	Total
<b>Investment in securities held for trading</b>				
Debt instruments	25.3	25.3	251.9	251.9

### Valuation techniques and inputs to Level 2 valuation

The fair value of investments in debt instruments has been determined by using the yield curve as announced by the Thai Bond Market Association or by other relevant bodies.

During the current year, there were no transfers within the fair value hierarchy.

### **27. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholders value. As at 31 July 2020, the Company's debt-to-equity ratio was 0.16:1 (2019: 0.20:1).

### **28. Event after the reporting period**

On 11 September 2020, the Meeting of the Board of Directors of the Company passed a resolution approving the dividend payment for the year 2020 to the Company's shareholders at Baht 0.45 per share or a total of Baht 81 million. The payment of dividend will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

### **29. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 11 September 2020.