

Thai Nakin Hospital Public Company Limited
Review report and interim financial statements
For the three-month and nine-month periods ended
30 April 2019

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thai Nakarin Hospital Public Company Limited

I have reviewed the accompanying statement of financial position of Thai Nakarin Hospital Public Company Limited as at 30 April 2019, the related statements of comprehensive income for the three-month and nine-month periods ended 30 April 2019, the related statements of changes in shareholders' equity and cash flows for the nine-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 7 June 2019

Thai Nakarin Hospital Public Company Limited**Statement of financial position****As at 30 April 2019**

(Unit: Thousand Baht)

	Note	30 April 2019 (Unaudited but reviewed)	31 July 2018 (Audited)
Assets			
Current assets			
Cash and cash equivalents	3	175,359	384,702
Current investments	4	420,784	717,930
Trade and other receivables	2, 5	127,891	129,656
Inventories		32,139	31,180
Other current assets		247	3,024
Total current assets		756,420	1,266,492
Non-current assets			
Long-term deposits at financial institutions	6	100,000	100,000
Property, plant and equipment	7	477,884	492,136
Intangible assets	8	3,374	3,991
Leasehold rights	9	657,454	-
Deferred tax assets		15,580	14,529
Other non-current assets		124	148
Total non-current assets		1,254,416	610,804
Total assets		2,010,836	1,877,296

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

Thai Nakarin Hospital Public Company Limited
Statement of financial position (continued)
As at 30 April 2019

(Unit: Thousand Baht)

	Note	30 April 2019 (Unaudited but reviewed)	31 July 2018 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	10	148,688	144,900
Doctor fee payable	2	73,847	71,652
Income tax payable		14,516	31,020
Other current liabilities		1,000	934
Total current liabilities		238,051	248,506
Non-current liabilities			
Provision for long-term employee benefits	11	64,920	59,711
Other non-current liabilities		523	523
Total non-current liabilities		65,443	60,234
Total liabilities		303,494	308,740
Shareholders' equity			
Share capital			
Registered			
180,000,000 ordinary shares of Baht 1 each		180,000	180,000
Issued and fully paid-up			
180,000,000 ordinary shares of Baht 1 each		180,000	180,000
Share premium		20,538	20,538
Retained earnings			
Appropriated - statutory reserve		18,000	18,000
Unappropriated		1,488,804	1,350,018
Total shareholders' equity		1,707,342	1,568,556
Total liabilities and shareholders' equity		2,010,836	1,877,296

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

Directors

(Unaudited but reviewed)

Thai Nakaran Hospital Public Company Limited

Statement of comprehensive income

For the three-month period ended 30 April 2019

(Unit: Thousand Baht except earnings per share expressed in Baht)

	30 April	30 April
<u>Note</u>	<u>2019</u>	<u>2018</u>
Profit and loss:		
Revenues		
Revenues from hospital operations	518,356	520,267
Other income	7,061	5,817
Total revenues	525,417	526,084
Expenses		
Cost of hospital operations	373,456	369,319
Administrative expenses	50,254	50,153
Total expenses	423,710	419,472
Profit before income tax expenses	101,707	106,612
Income tax expenses	12 (19,286)	(20,204)
Profit for the period	82,421	86,408
Other comprehensive income:		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	82,421	86,408
Basic earnings per share		
Profit (Baht)	0.46	0.48
Weighted average number of ordinary shares (Thousand shares)	180,000	180,000

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

(Unaudited but reviewed)

Thai Nakarin Hospital Public Company Limited

Statement of comprehensive income

For the nine-month period ended 30 April 2019

(Unit: Thousand Baht except earnings per share expressed in Baht)

	30 April	30 April
Note	2019	2018
Profit and loss:		
Revenues		
Revenues from hospital operations	1,610,428	1,609,763
Other income	24,022	21,188
Total revenues	<u>1,634,450</u>	<u>1,630,951</u>
Expenses		
Cost of hospital operations	1,172,210	1,145,081
Administrative expenses	157,735	157,275
Total expenses	<u>1,329,945</u>	<u>1,302,356</u>
Profit before income tax expenses	304,505	328,595
Income tax expenses	12 <u>(57,719)</u>	<u>(59,724)</u>
Profit for the period	<u>246,786</u>	<u>268,871</u>
Other comprehensive income:		
Other comprehensive income for the period	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>246,786</u></u>	<u><u>268,871</u></u>
Basic earnings per share		
Profit (Baht)	<u>1.37</u>	<u>1.49</u>
Weighted average number of ordinary shares (Thousand shares)	<u>180,000</u>	<u>180,000</u>

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

(Unaudited but reviewed)

Thai Nakin Hospital Public Company Limited

Statement of cash flows

For the nine-month period ended 30 April 2019

	(Unit: Thousand Baht)	
	30 April	30 April
	2019	2018
Cash flows from operating activities		
Profit before tax	304,505	328,595
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation expenses	63,796	64,234
Allowance for doubtful accounts	1,482	61
Long-term employee benefit expenses	8,204	7,512
Gain on disposals of equipment	(691)	(60)
Unrealised gain on changes in value of investment	(2,854)	(2,153)
Interest income	(9,994)	(8,775)
Profit from operating activities before changes in operating assets and liabilities	364,448	389,414
Decrease (increase) in operating assets		
Trade and other receivables	(1,559)	(10,088)
Inventories	(959)	(5,095)
Other current assets	2,777	2,318
Other non-current assets	24	(21)
Increase (decrease) in operating liabilities		
Trade and other payables	1,347	9,655
Doctor fee payable	2,195	2,824
Other current liabilities	66	(65)
Provision for long-term employee benefits	(2,995)	(2,013)
Cash from operating activities	365,344	386,929
Cash paid for income tax	(75,274)	(74,896)
Net cash from operating activities	290,070	312,033

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

(Unaudited but reviewed)

Thai Nakarin Hospital Public Company Limited

Statement of cash flows (continued)

For the nine-month period ended 30 April 2019

(Unit: Thousand Baht)

	30 April 2019	30 April 2018
Cash flows from investing activities		
Interest received	11,836	9,240
Net decrease (increase) in current investments and equipment	300,000	(224,400)
Cash paid for purchases of building improvement and equipment	(35,772)	(37,796)
Cash paid for purchases of intangible assets	(178)	(527)
Cash paid for purchases of leasehold rights	(668,000)	-
Proceeds from disposals of equipment	701	774
Net cash used in investing activities	(391,413)	(252,709)
Cash flows from financing activities		
Dividend paid	(108,000)	(108,000)
Net cash used in financing activities	(108,000)	(108,000)
Net decrease in cash and cash equivalents	(209,343)	(48,676)
Cash and cash equivalents at beginning of period	384,702	129,052
Cash and cash equivalents at end of period (Note 3)	175,359	80,376

Supplemental cash flows information

Non-cash items

Accounts payable - construction
and equipment purchases

16,082 7,667

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

(Unaudited but reviewed)

Thai Nakarin Hospital Public Company Limited
Statement of changes in shareholders' equity
For the nine-month period ended 30 April 2019

(Unit: Thousand Baht)

	Issued and paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated	
Balance as at 1 August 2017	180,000	20,538	18,000	1,101,956	1,320,494
Total comprehensive income for the period	-	-	-	268,871	268,871
Dividend paid (Note 13)	-	-	-	(108,000)	(108,000)
Balance as at 30 April 2018	<u>180,000</u>	<u>20,538</u>	<u>18,000</u>	<u>1,262,827</u>	<u>1,481,365</u>
Balance as at 1 August 2018	180,000	20,538	18,000	1,350,018	1,568,556
Total comprehensive income for the period	-	-	-	246,786	246,786
Dividend paid (Note 13)	-	-	-	(108,000)	(108,000)
Balance as at 30 April 2019	<u>180,000</u>	<u>20,538</u>	<u>18,000</u>	<u>1,488,804</u>	<u>1,707,342</u>

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

Thai Nakarin Hospital Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 April 2019

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 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 New financial reporting standards

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

During the period, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

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

During the period, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019, a set of 5 standards related to financial instruments and TFRS 16 Leases, which are effective for fiscal years beginning on or after 1 January 2020. Key principles of this standards are summarised below.

TFRS 15 Revenue from contracts with customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. 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.

At present, the management of the Company is evaluating the impact of this standard to the financial statements in the year when it is adopted.

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.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 July 2018.

2. Related party transactions

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

(Unaudited but reviewed)

	<u>Transfer pricing policy</u>
Revenue 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)	Paid at the same rate as other doctors in the hospital
Medical welfare	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)			
	For three-month periods ended 30 April		For nine-month periods ended 30 April	
	2019	2018	2019	2018
<u>Transactions with related companies and persons</u>				
Revenue from hospital operations	2	5	22	21
Rental income	75	75	225	225
Doctor fee expenses (directors and management)	2,899	2,802	8,664	8,630
Medical welfare	1,588	917	3,762	2,426

The balances of accounts as at 30 April 2019 and 31 July 2018 between the Company and its related parties are as follows:

	(Unit: Thousand Baht)	
	31 January 2019	31 July 2018
<u>Trade receivables - related parties (Note 5)</u>		
Related companies (related by common shareholders and directors)	2	8
Total trade receivables - related parties	2	8
<u>Other receivables - related parties (Note 5)</u>		
Related companies (related by common shareholders and directors)	75	111
Total other receivables - related parties	75	111
<u>Doctor fee payable - related persons</u>		
Related persons (directors and management)	916	1,016
Total doctor fee payable - related persons	916	1,016

(Unaudited but reviewed)

Directors and management's benefits

During the three-month and nine-month periods ended 30 April 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)			
	For three-month periods		For nine-month periods	
	ended 30 April		ended 30 April	
	2019	2018	2019	2018
Short-term employee benefits	8,216	9,989	24,535	26,441
Post-employment benefits	433	437	1,289	1,303
Total	8,649	10,426	25,824	27,744

3. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 January	31 July
	2019	2018
Cash	8,130	6,044
Bank deposits	167,229	378,658
Total cash and cash equivalents	175,359	384,702

As at 30 April 2019, bank deposits in savings accounts carried interests between 0.10 and 1.50 percent per annum (31 July 2018: between 0.10 and 1.50 percent per annum).

4. Current investments

4.1 As at 30 April 2019 and 31 July 2018, current investments consisted of the following:

	(Unit: Thousand Baht)			
	Investment		Interest rate	
	30 April	31 July	30 April	31 July
	2019	2018	2019	2018
Fixed deposits at financial institutions (6 - 12 months)	170,000	470,000	1.55 - 1.75	1.40 - 1.75
Investments in trading securities - fair value (Note 4.2)	250,784	247,930		
Total current investments	420,784	717,930		

(Unaudited but reviewed)

- 4.2 Movements in the investments in trading securities for the nine-month period ended 30 April 2019 are summarised below.

(Unit: Thousand Baht)

Net balance as at 1 August 2018	247,930
Gain on change in value	2,854
Net balance as at 30 April 2019	<u>250,784</u>

5. Trade and other receivables

(Unit: Thousand Baht)

	30 April 2019	31 July 2018
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	-	3
Past due		
Up to 3 months	2	5
Total trade receivables - related parties	<u>2</u>	<u>8</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	68,082	66,571
Past due		
Up to 3 months	47,424	47,110
3 - 6 months	6,151	6,345
6 - 12 months	2,727	2,972
Over 12 months	3,444	2,382
Total trade receivables - unrelated parties	127,828	125,380
Less: Allowance for doubtful accounts	(4,508)	(3,026)
Total trade receivables - unrelated parties - net	<u>123,320</u>	<u>122,354</u>
Total trade receivables - net	<u>123,322</u>	<u>122,362</u>
<u>Other receivables</u>		
Other receivables - related parties	75	111
Other receivables - unrelated parties	3,878	4,725
Accrued interest income	616	2,458
Total other receivables	<u>4,569</u>	<u>7,294</u>
Total trade and other receivables - net	<u>127,891</u>	<u>129,656</u>

6. Long-term deposits at financial institutions

As at 30 April 2019, long-term deposits at financial institutions carried interest 1.95 percent per annum (31 July 2018: between 1.70 and 1.90 percent per annum).

7. Property, plant and equipment

Movements in the property, plant and equipment account during the nine-month period ended 30 April 2019 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 August 2018	492,136
Additions during the period - at cost	38,213
Disposals during the period - net book value at disposal date	(10)
Depreciation for the period	<u>(52,455)</u>
Net book value as at 30 April 2019	<u><u>477,884</u></u>

8. Intangible assets

Movements in the intangible asset account, which represents computer software, during the nine-month period ended 30 April 2019 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 August 2018	3,991
Additions during the period - at cost	178
Amortisation for the period	<u>(795)</u>
Net book value as at 30 April 2019	<u><u>3,374</u></u>

9. Leasehold

	(Unit: Thousand Baht)	
	30 April 2019	31 July 2018
Cost	668,000	-
Less: Accumulated amortisation	(10,546)	-
Book value - net	<u>657,454</u>	<u>-</u>

The Company entered into a long-term lease agreement for lease of land on which the current operation hospital building was constructed 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.

10. Trade and other payables

	(Unit: Thousand Baht)	
	30 April 2019	31 July 2018
Trade payables - unrelated parties	86,722	86,827
Other payables - unrelated parties	13,139	14,018
Accounts payable - construction and equipment purchases	16,082	13,641
Accrued expenses	32,745	30,414
Total trade and other payables	<u>148,688</u>	<u>144,900</u>

11. Provision for long-term employee benefits

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company has additional long-term employee benefit liabilities of Baht 14.67 million as a result. The Company will reflect the effect of the change by recognising past service costs as expenses in the income statement of the period in which the law is effective, which is the fourth quarter of the year ending 31 July 2019.

12. Income tax

Interim corporate income tax is calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and nine-month periods ended 30 April 2019 and 2018 are made up follows:

	(Unit: Thousand Baht)			
	For three-month periods ended 30 April		For nine-month periods ended 30 April	
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax charge	19,551	20,635	58,770	63,466
Adjustment in respect of income tax of previous year	-	-	-	(2,793)
Deferred tax:				
Relating to origination and reversal of temporary differences	(265)	(431)	(1,051)	(949)
Income tax expenses reported in the statements of comprehensive income	19,286	20,204	57,719	59,724

13. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2017	Annual General Meeting of the shareholders on 16 November 2017	108.0	0.60
Total dividends for 2018		<u>108.0</u>	
Final dividends for 2018	Annual General Meeting of the shareholders on 15 November 2018	108.0	0.60
Total dividends for 2019		<u>108.0</u>	

14. Operating segment information

Operating segment information is reported in a manner consistent with the internal reporting the chief operating decision maker has received and regularly reviewed to make decisions about resources to be allocated 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.

15. Commitments and contingent liabilities**15.1 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)	
	30 April 2019	31 July 2018
	<hr/>	<hr/>
Payable:		
In up to 1 year	11.1	8.0
In over 1 year and up to 3 years	0.9	2.2

15.2 Capital commitments

As at 30 April 2019, the Company had capital commitments of Baht 12.6 million (31 July 2018: Baht 6.1 million) in respect of the acquisitions of medical equipment.

15.3 Guarantees

- a. As at 30 April 2019, the Company had credit facilities with a commercial bank for overdrafts of Baht 21.5 million (31 July 2018: Baht 21.5 million) and short-term loans of Baht 10 million (31 July 2018: Baht 10 million) guaranteed by the Company's director.
- b. As at 30 April 2019, the Company had outstanding bank guarantees of Baht 4.8 million (31 July 2018: 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.

16. Litigation

In December 2018, the Company and the physician were sued by the patient, claiming for damages amounting to Baht 10.16 million with interest of 7.50 percent per annum from the date being sued until the payments are settled. The Company and the physician viewed that they did not commit any wrongful act as claimed by the patient and had defended to the Court. The Court has scheduled a date in April 2019 for mediation. The Company and the physician will file a statement of defence on that day.

On 21 May 2019, the plaintiff filed a petition with the Court to amend the lawsuit, reducing the amount of damages to Baht 8.36 million with interest of 7.50 percent per annum from the date the defendants were sued until the payments are settled. The Court has postponed the scheduled mediation date to June 2019.

17. Fair value hierarchy

As of 30 April 2019, the Company had the assets that were measured at fair value as follows:

	(Unit: Million Baht)	
	Level 2	Total
Investment in securities held for trading		
Debt instruments	250.8	250.8

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 period, there were no transfers within the fair value hierarchy.

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 7 June 2019.