

Srivichaivejvivat Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2016

Independent Auditor's Report

To the Shareholders of Srivichaivejvivat Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Srivichaivejvivat Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Srivichaivejvivat Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Srivichaivejvivat Public Company Limited and its subsidiaries and of Srivichaivejvivat Public Company Limited as at 31 December 2016, their 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 Group in accordance with the *Code of Ethics for Professional Accountants* as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King 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.

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 matters and how audit procedures respond for each matter are described below.

Revenue recognition

Revenue from hospital operations is considered an account significant to the financial statements because the revenue amount is high (accounting for approximately 99% of consolidated total revenues) and there are a large number of revenue transactions. The revenue also has a number of components, such as revenue from medical fees, revenue from sales of medicines, revenue from hospital rooms and revenue from medical services, and is derived from provision of services to various types and a large number of customers. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- Performing analytical procedures on disaggregated data to detect possible irregularities in revenue transactions throughout the period, including accounting entries made through journal vouchers.

- On a sampling basis, examining supporting documents for revenue transactions occurring during the period.
- Testing the cut-off of revenue recognition.
- Reviewing of credit notes that the Group issued after the period-end.

Estimation of accrued medical treatment income

The Group has revenues from the provision of medical services to patients under the government welfare schemes of the Social Security Office and the National Health Security Office. The amounts of such revenues are determined based on government policy, the number of insured persons registered with the Group, and statistical information on the services provided by the Group. As discussed in Note 8 to the financial statements, as at 31 December 2016, the Group had accrued medical treatment income from the two government agencies amounting to Baht 62 million. An estimation of accrued medical treatment income requires management to exercise significant judgement. There is thus a risk of the amount of such accrued income.

I have examined the accrued medical treatment income by

- Assessing and testing the Group's internal controls with respect to the estimation of accrued medical treatment income by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls,
- Assessing the appropriateness of the criteria, methodology and conditions applied by the Group in estimating accrued medical treatment income in accordance with government policy.
- Performing the reasonableness of past estimates of accrued medical income by comparing those estimates with the actual amounts received.
- Examining cash receipt transactions relating to accrued medical treatment income subsequent to the period-end date.

Business combination

As discussed in Note 1.2 to the financial statements, in June 2016 the Company invested in The Bangkok Orthopedic Hospital Company Limited which is engaged in hospital business. As at the date of acquisition, the Company recognised and measured the assets acquired and liabilities assumed at their fair value and recognised goodwill from the business combination by applying the acquisition method. I have focused on this business acquisition since it is material to the financial statements as a whole, and management was required to exercise substantial judgment when appraising the fair value of the assets acquired and liabilities assumed. Therefore, there is a risk with respect to the recognition and measurement of the assets acquired and liabilities assumed, including recognised goodwill.

I have examined the recognition of the assets acquired and liabilities assumed from the acquisition of business by

- Reviewing the terms and conditions of the agreement and inquired with management as to the nature and objectives of the acquisition in order to evaluate whether the acquisition meets the definition of a business combination under Thai Financial Reporting Standard 3 (Revised: 2015) Business combinations.
- Checking the value of the acquisition to supporting documents and related payments to assess whether it reflected the fair value of the consideration transferred and did not include acquisition-related costs.
- Assessing the fair value of assets acquired and liabilities assumed specified in the documentation of measurement under the acquisition method as prepared by an independent valuation specialist, by considering the methods and significant assumptions used by the independent valuation specialist in calculating the fair value of such assets and liabilities.
- Reviewing the components of the financial model, comparing significant assumptions with the entity's historical information and industry and related economic information such as interest rate and inflation rate, comparing discount rate with the entity's financial costs and industry and evaluating the expertise, ability and integrity of the independent valuation specialist.
- Assessing the rationale of goodwill recognised from the business combination by analysing the pricing model, and reviewing the disclosures related to the business combination in the notes to financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group 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 Group, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Termphong Opanaphan.

Termphong Opanaphan
Certified Public Accountant (Thailand) No. 4501

EY Office Limited
Bangkok: 17 February 2017

Srivichaivejvivat Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Assets					
Current assets					
Cash and cash equivalents	7	177,588,628	133,186,588	53,224,967	70,117,286
Trade and other receivables	8	238,304,259	185,550,338	108,412,819	105,053,661
Medicine and supplies	9	39,795,134	29,697,442	11,376,114	12,152,459
Other current assets		4,818,426	5,476,812	625,198	517,359
Total current assets		460,506,447	353,911,180	173,639,098	187,840,765
Non-current assets					
Restricted bank deposits	10	3,750,300	-	-	-
Investments in subsidiaries	11	-	-	410,999,916	268,131,802
Other long-term investment	12	40,500,000	40,500,000	40,500,000	40,500,000
Investment properties	13	23,310,328	23,516,643	-	-
Property, plant and equipment	14	985,294,848	874,865,311	725,584,716	699,894,913
Leasehold rights	15	137,460,461	127,291,572	-	-
Goodwill	1.2	64,863,745	-	-	-
Deferred tax assets	22	6,194,294	4,191,013	-	-
Other non-current assets		31,088,635	21,287,974	15,345,354	10,796,168
Total non-current assets		1,292,462,611	1,091,652,513	1,192,429,986	1,019,322,883
Total assets		1,752,969,058	1,445,563,693	1,366,069,084	1,207,163,648

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables	16	298,779,053	236,908,824	106,387,995	127,460,430
Current portion of payable from purchase of investment	1.2	5,193,436	-	5,193,436	-
Current portion of long-term loans	17	85,710,000	70,088,000	73,560,000	51,720,000
Current portion of liabilities under finance lease agreements	18	8,054,501	5,054,614	2,011,857	1,691,530
Income tax payable		7,302,898	7,267,974	1,225,859	7,231,131
Other current liabilities		2,754,552	2,185,382	931,190	739,686
Total current liabilities		407,794,440	321,504,794	189,310,337	188,842,777
Non-current liabilities					
Payable from purchase of investment, net of current portion	1.2	41,174,678	-	41,174,678	-
Long-term loans, net of current portion	17	258,150,000	186,380,000	258,150,000	174,230,000
Liabilities under finance lease agreements, net of current portion	18	7,833,479	9,215,225	1,238,523	1,389,857
Provision for long-term employee benefits	19	17,290,289	12,827,116	3,100,082	5,457,605
Deferred tax liabilities	22	9,104,188	5,757,835	4,645,665	4,081,875
Other non-current liabilities		5,427,084	-	-	-
Total non-current liabilities		338,979,718	214,180,176	308,308,948	185,159,337
Total liabilities		746,774,158	535,684,970	497,619,285	374,002,114

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Shareholders' equity					
Share capital					
Registered					
570,666,666 ordinary shares of Baht 1 each		570,666,666	570,666,666	570,666,666	570,666,666
Issued and fully paid					
570,665,433 ordinary shares of Baht 1 each		570,665,433	570,665,433	570,665,433	570,665,433
Share premium		37,938,115	37,938,115	37,938,115	37,938,115
Retained earnings					
Appropriated - statutory reserve	20	25,677,380	21,059,640	25,677,380	21,059,640
Unappropriated		351,761,596	260,371,986	234,168,871	203,498,346
Other components of shareholders' equity		18,669,496	18,669,496	-	-
Equity attributable to owners of the Company		1,004,712,020	908,704,670	868,449,799	833,161,534
Non-controlling interests of the subsidiaries		1,482,880	1,174,053	-	-
Total shareholders' equity		1,006,194,900	909,878,723	868,449,799	833,161,534
Total liabilities and shareholders' equity		1,752,969,058	1,445,563,693	1,366,069,084	1,207,163,648
		-	-	-	-

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

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Directors
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Srivichaivejvivat Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2016

1. General information

1.1 Corporate information

Srivichaivejvivat 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 74/5 Moo 4, Phetkasem Road, Omnoi, Krathumbaen, Samutsakorn.

1.2 Acquisition of business

On 28 June 2016, the Company purchased 90,000 ordinary shares of The Bangkok Orthopedic Hospital Company Limited, representing 100 percent of its total issued and paid-up capital, from the existing shareholders. The total contract value of the business acquisition is Baht 155 million. As a result of the acquisition, The Bangkok Orthopedic Hospital Company Limited is a new subsidiary. The Company has paid the existing shareholders Baht 96.5 million and has agreed to pay the remaining amount of Baht 58.5 million in 9 annual installments of Baht 6.5 million each.

The Company arranged for the assessment of the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The assessment was completed in the fourth quarter of 2016, which was within the period of twelve months from the acquisition of business date allowed by Thai Financial Reporting Standard 3 (revised 2015) Business Combinations.

The fair values of the identifiable assets acquired and liabilities assumed of The Bangkok Orthopedic Hospital Company Limited as at the acquisition of business date are summarised below.

	(Unit: Thousand Baht)
Cash and cash equivalents	55,760
Trade and other receivables	15,727
Medicine and supplies	3,449
Other current assets	203
Restricted bank deposits	450
Property, plant and equipment	43,160
Deferred tax assets	2,401
Other non-current assets	807

	(Unit: Thousand Baht)
Trade and other payables	(30,502)
Income tax payable	(257)
Other current liabilities	(502)
Liabilities under finance lease agreements	(366)
Provision for long-term employee benefits	(5,854)
Deferred tax liability	(3,178)
Other non-current liabilities	(3,294)
Net assets from business acquisition	<u>78,004</u>
Add: Goodwill from business acquisition	<u>64,864</u>
Cost of investment in subsidiary	142,868
Less: Payable from purchase of investment	<u>(46,368)</u>
Cash paid for business acquisition	96,500
Less: Cash and cash equivalents of the subsidiary	<u>(55,760)</u>
Net cash paid for business acquisition	<u><u>40,740</u></u>

Goodwill of Baht 65 million from business combination mainly comprises future business expansion.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions 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 28 September 2011, 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.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Srivichaivejvivat Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of Shareholding	
			<u>2016</u> Percent	<u>2015</u> Percent
Saivichai Development Company Limited	Operating of hospitals	Thailand	99.43	99.43
Srisakornvejvivat Company Limited	Operating of hospitals	Thailand	99.56	99.56
Srivichai Vocational College Company Limited	Operating of vocational school	Thailand	99.98	99.98
The Bangkok Orthopedic Hospital Company Limited	Operating of hospitals	Thailand	100.00	-

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

4. Significant accounting policies

4.1 Revenue recognition

Revenue for hospital operations

Revenues from hospital operations mainly consist of medical fees, medicine sales and hospital room sales, are recognised as income when services have been rendered or medicine delivered. Except for operating revenues from the Social Security Office and National Health Security Office which are recognised as income according to annual lump sum amount and adjust relative weights per the number of registrants of the Company and its subsidiaries.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Revenue from tuition fees and educational media

Revenues from tuition fees and educational media are recognised over the teaching period.

Rental income

Rental income is recognised over the rental period and at the rate determined in agreement.

Interest income

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

Dividends

Dividends are recognised when the right to receive the dividends is established.

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 three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

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 experience and analysis of debt aging.

4.4 Medicine and supplies

Medicine and supplies are valued at the lower of cost (average method) and net realisable value.

4.5 Investments

(a) Investment in non-marketable equity security, which the Company classifies as other investment, is stated at cost net of allowance for impairment loss (if any).

(b) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 - 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

4.7 Property, plant and equipment/Depreciation

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

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

Buildings	-	20, 40 and 50	years
Buildings improvement	-	5, 20	years
Tools and medical instrument	-	2 - 10	years
Office furniture, fixtures and equipment	-	3, 5	years
Motor vehicle	-	5, 10	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and under construction.

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 the profit or loss when the asset is derecognised.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Leasehold rights

Leasehold rights are initially recognised at the amount transferred to acquire the leasehold rights to land plus the cost of the construction on the land and to acquire the leasehold rights to building under the lease agreement.

Leasehold rights are stated at cost less accumulated amortisation and allowance for loss on impairment of assets (if any). Amortisation is calculated by reference to the cost of the leasehold rights on a straight-line basis over the period specified in the land lease agreements. Amortisation is included in determining income.

No amortisation is provided on construction in progress on leasehold land.

4.10 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the subsidiary's cash generating units that are expected to benefit from the synergies of the combination. The subsidiary estimates the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.11 Related party transactions

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

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

4.12 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the assets.

Leases of property, plant or equipment 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.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised 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.

An impairment loss is recognised in the profit or loss.

4.14 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

Defined contribution plans

The Company, the subsidiaries and their employees have jointly established separate provident funds. The funds are monthly contributed by employees, the Company and the subsidiaries. The funds' assets are held in separate trust funds and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined 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.

4.15 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

4.16 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 and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise 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 and its subsidiaries review and reduce 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 asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.17 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. A subsidiary 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, a subsidiary measures fair value using valuation technique 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 categorise 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, a subsidiary 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:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

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

Accrued medical treatment income

Accrued medical treatment income represents medical income that has not been collected from the Social Security Office and National Health Security Office. The Company and its subsidiaries are not able to determine the certain amount to be collected. In this regard, the management is required to make an estimation of such accrued income in accordance with bases, methods and terms specified by such authority, and consider the amount of the latest actual collection together with the current circumstances.

Impairment of other investment

The Company treats other investment as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's and its subsidiaries' plant 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 record 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.

Goodwill

The initial recognition and measurement of goodwill, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses 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 under defined benefit plans

The obligation under the defined benefit plan is 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 and its subsidiaries 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.

(Unit: Million Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Medical service income	-	-	19	4	Normal price less certain discount
Dividend income	-	-	17	11	Resolution of the Annual General Meeting of the shareholders of subsidiaries
Medical service expenses	-	-	24	11	Normal price less certain discount
<u>Transactions with related individuals</u>					
Medical service income	1	1	-	-	Normal price less certain discount

As at 31 December 2016 and 2015, the balances of the accounts between the Company, its subsidiaries and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiaries	-	-	10,578	2,932
Related individuals	-	181	-	-
Total trade and other receivables - related parties	-	181	10,578	2,932
<u>Trade and other payables - related parties</u>				
(Note 16)				
Subsidiaries	-	-	11,647	5,500
Related individuals	170	8	15	-
Total trade and other payables - related parties	170	8	11,662	5,500
<u>Other non-current liabilities - related parties</u>				
Related individuals	3,295	-	-	-
Total other non-current liabilities - related parties	3,295	-	-	-

Loans from related party

As at 31 December 2016 and 2015, the balances of loan between the Company and the related party and the movement are as follows:

(Unit: Thousand Baht)

Loan from related party	Related by	Separate financial statements			
		Balance as at 31 December 2015	Increase during the year	Decrease during the year	Balance as at 31 December 2016
Srisakornvejvivat					
Company Limited	Subsidiary	-	20,000	(20,000)	-
Total		-	20,000	(20,000)	-

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	34,998	36,445	25,163	26,227
Post-employment benefits	19	224	19	195
Total	<u>35,017</u>	<u>36,669</u>	<u>25,182</u>	<u>26,422</u>

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	1,629	1,413	640	525
Bank deposits	175,960	131,774	52,585	69,592
Total	<u>177,589</u>	<u>133,187</u>	<u>53,225</u>	<u>70,117</u>

As at 31 December 2016, the Company and its subsidiaries had bank deposits in saving accounts and fixed deposits which carried interests between 0.10 and 1.35 percent per annum (2015: between 0.10 and 1.80 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	8,756	2,927
Past due				
Up to 3 months	-	-	1,733	-
3 - 6 months	-	-	20	-
6 - 12 months	-	-	64	-
Total trade receivables - related parties	-	-	10,573	2,927
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	117,582	90,955	40,212	42,382
Past due				
Up to 3 months	34,743	15,028	9,791	3,985
3 - 6 months	6,716	4,341	734	2,826
6 - 12 months	2,482	3,155	617	2,450
Over 12 months	955	2,402	845	2,320
Total	162,478	115,881	52,199	53,963
Less: Allowance for doubtful accounts	(950)	(2,320)	(845)	(2,320)
Total trade receivables - unrelated parties, net	161,528	113,561	51,354	51,463
Total trade receivables - net	161,528	113,561	61,927	54,570
<u>Other receivables - related parties</u>				
Other receivable - related party	-	-	5	5
Other accrued income - related individuals	-	181	-	-
Total other receivables - related parties	-	181	5	5
<u>Other receivables - unrelated parties</u>				
Other receivables	2,922	3,104	890	1,748
Accrued income				
Accrued social security income	52,286	55,336	40,153	44,477
Accrued national health security income	9,380	-	-	-
Other accrued income	12,188	13,368	5,438	4,254
Total other receivables - unrelated parties	76,776	71,808	46,481	50,479
Total other receivables	76,776	71,989	46,486	50,484
Total trade and other receivables - net	238,304	185,550	108,413	105,054

9. Medicine and supplies

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Medicine and supplies - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Medicine	21,404	18,581	(239)	(365)	21,165	18,216
Medical supplies	16,098	9,629	(65)	(27)	16,033	9,602
Other supplies	2,597	1,879	-	-	2,597	1,879
Total	40,099	30,089	(304)	(392)	39,795	29,697

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Medicine and supplies - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Medicine	7,711	8,571	(131)	(347)	7,580	8,224
Medical supplies	3,115	3,370	(20)	(14)	3,095	3,356
Other supplies	701	572	-	-	701	572
Total	11,527	12,513	(151)	(361)	11,376	12,152

During the current year, the Company and its subsidiaries reduced cost of medicine and supplies by Baht 1.3 million (2015: Baht 0.4 million) (The Company only: Baht 1.0 million and 2015: Baht 0.3 million), to reflect the net realisable value. This was included in cost of hospital operations. In addition, the Company and its subsidiaries reversed the write-down of cost of medicine and supplies by Baht 1.4 million (2015: Baht 0.3 million) (The Company only: Baht 1.2 million and 2015: Baht 0.2 million), and reduced the amount of medicine and supplies recognised as expenses during the year.

10. Restricted bank deposits

These represent bank deposits pledged with the bank to secure bank guarantees issued by that bank on behalf of the subsidiary.

11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)				
Saivichai Development Company Limited	150,000	150,000	99.43	99.43	159,526	159,526	10,440	-
Srisakornvejvivat Company Limited	99,200	99,200	99.56	99.56	108,506	108,506	4,938	10,271
Srivichai Vocational College Company Limited	100	100	99.98	99.98	100	100	2,000	998
The Bangkok Orthopedic Hospital Company Limited (Note 1.2)	9,000	-	100.00	-	142,868	-	-	-
Total					411,000	268,132	17,378	11,269

12. Other long-term investment

The Company has 8,100,000 ordinary shares of Baht 5 each of Mahanakorn Mae-Sod Vejchakarn Company Limited, representing 15 percent of the share capital of that company.

13. Investment properties

The net book values of investment properties as at 31 December 2016 and 2015 are presented below.

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	Land	Buildings and buildings improvement	Total
31 December 2016:			
Cost	22,845	9,234	32,079
<u>Less</u> Accumulated depreciation	-	(8,769)	(8,769)
Net book value	<u>22,845</u>	<u>465</u>	<u>23,310</u>
31 December 2015:			
Cost	22,845	9,234	32,079
<u>Less</u> Accumulated depreciation	-	(8,562)	(8,562)
Net book value	<u>22,845</u>	<u>672</u>	<u>23,517</u>

A reconciliation of the net book value of investment properties for the years 2016 and 2015 are presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	23,517	23,110
Acquisition of buildings improvement	-	557
Depreciation charged	(207)	(150)
Net book value at end of year	23,310	23,517

As at 31 December 2016, the fair values of the investment properties amounting to Baht 51 million. Its fair value has been determined based on the valuation performed by an accredited independent valuer, using the income approach. Key assumptions used in the valuation include yield rate, inflation rate, long-term vacancy rate and long-term growth in the rental rates (2015: Baht 43 million).

The subsidiary has pledged the above investment properties as collateral against credit facilities received from financial institutions and credit facilities of another subsidiary.

14. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land	Buildings and buildings improvement	Tools and medical instrument	Office furniture, fixtures and equipment	Motor vehicle	Assets under installation and under construction	Total
Cost:							
1 January 2015	339,820	525,116	253,405	205,562	50,611	178,194	1,552,708
Additions	-	3,413	50,736	15,424	16,495	98,528	184,596
Disposals/write-off	-	-	(5,290)	(3,542)	(1,497)	-	(10,329)
Transfers in (out)	-	250,528	4,492	248	-	(255,268)	-
Capitalised interest	-	-	-	-	-	7,779	7,779
31 December 2015	339,820	779,057	303,343	217,692	65,609	29,233	1,734,754
Additions	-	5,783	71,260	15,757	6,478	55,517	154,795
Increase from acquisition of business (Note 1.2)	8,400	16,431	57,638	16,549	10,024	-	109,042
Disposals/write-off	-	-	(8,410)	(3,912)	(79)	-	(12,401)
Transfers in (out)	-	54,377	22,794	450	6,091	(83,712)	-
31 December 2016	348,220	855,648	446,625	246,536	88,123	1,038	1,986,190
Accumulated depreciation:							
1 January 2015	-	403,365	195,899	171,269	31,128	-	801,661
Depreciation for the year	-	19,076	25,265	17,255	6,839	-	68,435
Depreciation on disposals/write-off	-	-	(5,248)	(3,463)	(1,496)	-	(10,207)
31 December 2015	-	422,441	215,916	185,061	36,471	-	859,889
Increase from acquisition of business (Note 1.2)	-	7,791	39,268	12,238	6,585	-	65,882
Depreciation for the year	-	25,733	35,906	16,527	8,775	-	86,941
Depreciation on disposals/write-off	-	-	(7,937)	(3,815)	(65)	-	(11,817)
31 December 2016	-	455,965	283,153	210,011	51,766	-	1,000,895
Net book value:							
31 December 2015	339,820	356,616	87,427	32,631	29,138	29,233	874,865
31 December 2016	348,220	399,683	163,472	36,525	36,357	1,038	985,295
Depreciation for the year							
2015 (Baht 53 million included in cost of hospital operations, and the balance in selling and administrative expenses)							68,435
2016 (Baht 70 million included in cost of hospital operations, and the balance in selling and administrative expenses)							86,941

(Unit: Thousand Baht)

Separate financial statements

	Land	Buildings and buildings improvement	Tools and medical instrument	Office furniture, fixtures and equipment	Motor vehicle	Assets under installation and under construction	Total
Cost:							
1 January 2015	286,127	269,578	85,086	49,911	21,626	178,005	890,333
Additions	-	514	40,923	8,702	1,518	92,886	144,543
Disposals/write-off	-	-	(2,390)	(700)	(496)	-	(3,586)
Transfers in (out)	-	250,528	1,800	57	-	(252,385)	-
Capitalised interest	-	-	-	-	-	7,779	7,779
31 December 2015	286,127	520,620	125,419	57,970	22,648	26,285	1,039,069
Additions	-	3,410	30,848	6,078	2,785	24,344	67,465
Write-off	-	-	(22)	(258)	-	-	(280)
Transfers in (out)	-	49,741	-	152	-	(49,893)	-
31 December 2016	286,127	573,771	156,245	63,942	25,433	736	1,106,254
Accumulated depreciation:							
1 January 2015	-	204,094	60,582	37,038	13,740	-	315,454
Depreciation for the year	-	7,518	10,804	6,190	2,759	-	27,271
Depreciation on disposals/write-off	-	-	(2,372)	(684)	(495)	-	(3,551)
31 December 2015	-	211,612	69,014	42,544	16,004	-	339,174
Depreciation for the year	-	15,603	16,962	7,044	2,159	-	41,768
Depreciation on write-off	-	-	(21)	(252)	-	-	(273)
31 December 2016	-	227,215	85,955	49,336	18,163	-	380,669
Net book value:							
31 December 2015	286,127	309,008	56,405	15,426	6,644	26,285	699,895
31 December 2016	286,127	346,556	70,290	14,606	7,270	736	725,585
Depreciation for the year							
2015 (Baht 19 million included in cost of hospital operations, and the balance in selling and administrative expenses)							27,271
2016 (Baht 33 million included in cost of hospital operations, and the balance in selling and administrative expenses)							41,768

During the year ended 31 December 2016, the borrowing costs amounting to Baht 1 million were capitalised as a part of construction of the building (2015: Baht 8 million). The weighted average rate of 2% (2015: 4%) has been used to determine the amount of borrowing costs eligible for capitalization.

As at 31 December 2016, the Company and its subsidiaries had vehicles with net book value of Baht 20 million (2015: Baht 17 million) (The Company only: Baht 6 million and 2015: Baht 5 million) which were acquired under finance lease agreements.

As at 31 December 2016, certain items of buildings improvement and equipment were fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 497 million (2015: Baht 375 million) (the Company only: 114 Baht million and 2015: Baht 104 million).

The Company and its subsidiaries had pledged part of their property with constructions thereon, their book values as at 31 December 2016 are Baht 732 million (2015: Baht 724 million), as collateral against credit facilities received from the commercial bank, and credit facilities of another subsidiary (the Company only: Baht 633 million and 2015: Baht 620 million).

15. Leasehold rights

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land rental	Construction on leased land	Construction in progress on leased land	Total
Cost:				
1 January 2015	2,073	166,491	24	168,588
Increases	-	32	203	235
Transfers in (out)	-	207	(207)	-
31 December 2015	2,073	166,730	20	168,823
Increases	-	329	16,622	16,951
Transfers in (out)	-	16,442	(16,442)	-
31 December 2016	2,073	183,501	200	185,774
Accumulated amortisation:				
1 January 2015	1,669	33,261	-	34,930
Amortisation for the year	71	6,530	-	6,601
31 December 2015	1,740	39,791	-	41,531
Amortisation for the year	71	6,712	-	6,783
31 December 2016	1,811	46,503	-	48,314

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land rental	Construction		Total
		Construction on leased land	in progress on leased land	
Net book value:				
31 December 2015	333	126,939	20	127,292
31 December 2016	262	136,998	200	137,460
Amortisation for the year				
2015 (Baht 6 million included in cost of hospital operations, and the balance in selling and administrative expenses)				6,601
2016 (Baht 6 million included in cost of hospital operations, and the balance in selling and administrative expenses)				6,783

Leasehold rights include transfer fees paid to acquire leased land and construction expenses for construction on leased land. The subsidiary made an agreement to lease land from 1990 to 2020, but in 2005 the lease was extended by another 15 years, until 2035.

The subsidiary had pledged its leasehold rights as collateral against credit facilities received from the commercial bank.

Another subsidiary entered into an agreement with another individual to lease a building from 2004 to 2024 and an agreement with a related individuals to lease a building from 2016 to 2027.

16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
Trade payables - related parties	-	-	11,647	5,500
Trade payables - unrelated parties	118,542	108,194	51,133	69,406
Other payables - related individuals	170	8	15	-
Other payables - unrelated parties	80,712	51,467	12,310	23,139
Doctor fee payables	35,175	27,818	15,455	13,177
Accrued expenses	64,180	49,422	15,828	16,238
Total trade and other payables	298,779	236,909	106,388	127,460

17. Long-term loans

			(Unit: Thousand Baht)			
			Consolidated		Separate	
			financial statements		financial statements	
Loan	Interest rate (%)	Repayment schedule	2016	2015	2016	2015
Srivichaivejvivat Plc.						
1	MLR-1.25 to MLR-1	Monthly installments as from December 2014	20,000	27,200	20,000	27,200
2	MLR-1.25 to MLR-1	Monthly installments as from October 2015	56,250	71,250	56,250	71,250
3	MLR-1.25 to MLR-1	Monthly installments as from January 2016	60,000	75,000	60,000	75,000
4	MLR-1	Monthly installments as from January 2016	40,880	33,500	40,880	33,500
5	MLR-1	Monthly installments as from April 2016	24,600	19,000	24,600	19,000
6	MLR-0.75	Monthly installments as from July 2016	129,980	-	129,980	-
Saivichai Development Co., Ltd.						
7	MLR	Monthly installments as from January 2010	-	2,630	-	-
8	MLR-1 to MLR	Monthly installments as from June 2012	12,150	25,950	-	-
Srisakornvejvivat Co., Ltd.						
9	MLR-1 to MLR	Monthly installments as from August 2013	-	1,938	-	-
Total			343,860	256,468	331,710	225,950
Less: Portion due within one year			(85,710)	(70,088)	(73,560)	(51,720)
Long-term loans, net of current portion			258,150	186,380	258,150	174,230

The loans are secured by the mortgage part of land with constructions thereon of the Company and subsidiaries, investment properties and leasehold rights of its subsidiaries, and guarantee provided by a subsidiary and director of the Company.

18. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Liabilities under finance lease agreements	16,898	15,519	3,406	3,308
Less: Deferred interest expenses	(1,010)	(1,249)	(155)	(227)
Total	15,888	14,270	3,251	3,081
Less: Portion due within one year	(8,055)	(5,055)	(2,012)	(1,691)
Liabilities under finance lease agreements - net of current portion	<u>7,833</u>	<u>9,215</u>	<u>1,239</u>	<u>1,390</u>

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are 2 to 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

As at 31 December 2016

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	<u>1 year</u>	<u>1 - 3 years</u>	<u>Total</u>	<u>1 year</u>	<u>1 - 3 years</u>	<u>Total</u>
Future minimum lease payments	8,702	8,196	16,898	2,133	1,273	3,406
Deferred interest expenses	(647)	(363)	(1,010)	(121)	(34)	(155)
Present value of future minimum lease payments	<u>8,055</u>	<u>7,833</u>	<u>15,888</u>	<u>2,012</u>	<u>1,239</u>	<u>3,251</u>

(Unit: Thousand Baht)

As at 31 December 2015

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	<u>1 year</u>	<u>1 - 4 years</u>	<u>Total</u>	<u>1 year</u>	<u>1 - 4 years</u>	<u>Total</u>
Future minimum lease payments	5,712	9,807	15,519	1,851	1,457	3,308
Deferred interest expenses	(657)	(592)	(1,249)	(160)	(67)	(227)
Present value of future minimum lease payments	<u>5,055</u>	<u>9,215</u>	<u>14,270</u>	<u>1,691</u>	<u>1,390</u>	<u>3,081</u>

19. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the Company and its subsidiaries, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Provision for long-term employee benefits at beginning of year	12,827	11,369	5,458	4,815
Included in profit or loss:				
Current service cost	1,355	1,175	499	538
Interest cost	561	482	143	203
Increase from acquisition of business (Note 1.2)	5,854	-	-	-
Benefits paid during the year	<u>(3,307)</u>	<u>(199)</u>	<u>(3,000)</u>	<u>(98)</u>
Provisions for long-term employee benefits at end of year	<u>17,290</u>	<u>12,827</u>	<u>3,100</u>	<u>5,458</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cost of hospital operations	1,321	926	373	321
Selling and administrative expenses	<u>595</u>	<u>731</u>	<u>269</u>	<u>420</u>
Total expenses recognised in profit or loss	<u>1,916</u>	<u>1,657</u>	<u>642</u>	<u>741</u>

The Company and its subsidiary expect to pay Baht 1 million of long-term employee benefits during the next year (Separate financial statements: Baht 1 million) (2015: Baht 3 million, separate financial statements: Baht 3 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 14 - 17 years (Separate financial statements: 17 years) (2015: 17 years, separate financial statements: 17 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.20 - 4.30	4.30	4.30	4.30
Future salary increase rate	5.00	5.00	5.00	5.00
Staff turnover rate				
(depending on age)	0.00 - 30.00	0.00 - 25.00	0.00 - 25.00	0.00 - 25.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Thousand Baht)					
31 December 2016					
		Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
	(% per annum)	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate	1.00	(1,583)	1,839	(446)	526
Future salary increase rate	1.00	2,371	(2,047)	643	(544)
Staff turnover rate	20.00	(2,550)	3,489	(827)	1,176

(Unit: Thousand Baht)					
31 December 2015					
		Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
	(% per annum)	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate	1.00	(1,063)	1,248	(398)	473
Future salary increase rate	1.00	1,494	(1,288)	577	(495)
Staff turnover rate	20.00	(1,774)	2,484	(697)	992

20. 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.

21. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries and wages and other employee benefits	526,338	424,409	231,090	199,303
Depreciation and amortisation	94,614	75,644	42,016	27,417
Doctor fees	337,673	275,356	148,096	124,993
Medical treatment expense for referred patients	128,926	97,266	89,043	72,874
Medicine, medical supplies and other supplies used	236,857	165,331	95,942	82,521

22. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2105</u>
Current income tax:				
Current income tax charge	35,096	20,929	16,238	18,754
Deferred tax:				
Relating to origination and reversal of temporary differences	545	4,261	564	(82)
Income tax expenses reported in the statement of comprehensive income	<u>35,641</u>	<u>25,190</u>	<u>16,802</u>	<u>18,672</u>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	189,106	126,828	109,157	103,012
Applicable tax rate	0% and 20%	20% and 0% to 15%	20%	20%
Accounting profit before tax multiplied by applicable tax rates	37,671	25,251	21,831	20,602
Adjustment in respect of income tax of previous year	885	1,719	-	-
Reversal of differences of accumulated depreciation - Plant	-	(4,831)	-	-
Effects of:				
Non-deductible expenses	1,559	3,859	108	793
Tax-exempted dividend income	-	-	(3,475)	(2,254)
Additional expense deductions allowed	(4,474)	(808)	(1,662)	(469)
Total	(2,915)	3,051	(5,029)	(1,930)
Income tax expenses reported in the statement of comprehensive income	<u>35,641</u>	<u>25,190</u>	<u>16,802</u>	<u>18,672</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
Deferred tax assets				
Allowance for doubtful accounts	190	464	169	464
Allowance for diminution in value of medicine and supplies	61	79	30	72
Recognition of rental expenses	4,008	1,875	-	-
Provision for employee benefits	3,082	3,002	806	1,240
Unused tax loss	-	1,366	-	-
Loss on fair value adjustment of leasehold rights of subsidiary from acquisition of business	764	-	-	-
Total	<u>8,105</u>	<u>6,786</u>	<u>1,005</u>	<u>1,776</u>

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Deferred tax liabilities				
Accumulated depreciation - Plant	8,364	8,353	5,651	5,858
Gain on fair value adjustment of fixed assets of subsidiary from acquisition of business	2,651	-	-	-
Total	11,015	8,353	5,651	5,858

23. Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit for the period (Thousand Baht)	153,074	101,492	92,355	84,339
Weighted average number of ordinary shares (Thousand shares)	570,665	570,665	570,665	570,665
Earnings per share (Baht per share)	0.27	0.18	0.16	0.15

24. Segment information

The Company and its subsidiaries are principally engaged in the hospital business. A subsidiary is engaged in operating a vocational school, but revenue from this business is immaterial. Therefore, revenues, operating profit and total assets presented in the financial statements relate to the said principal business.

Geographic information

The Company and its subsidiaries operate in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

Major customer

For the year 2016, the Company and its subsidiaries have revenues from one major customer in amount of Baht 325 million, arising from hospital business (2015: Baht 320 million derived from one major customer, arising from hospital business).

25. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees, the Company and its subsidiaries contribute to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by the American International Assurance Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2016 amounting to approximately Baht 3 million (2015: Baht 3 million) (the Company only: Baht 1 million and 2015: Baht 1 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Cash dividend (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2014	The Annual General Meeting of the shareholders on 24 April 2015	11,413	0.02
Total dividends for 2015		11,413	0.02
Final dividends for 2015	The Annual General Meeting of the shareholders on 22 April 2016	57,066	0.10
Total dividends for 2016		57,066	0.10

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2016, the Company and its subsidiary had capital commitments relating to the construction of buildings and the buildings improvement of approximately Baht 0.3 million (2015: Baht 12.9 million) (The Company only: Baht 0.2 million and 2015: Baht 12.5 million), and relating to medical service system and acquisition of medical devices and hospital equipment of approximately Baht 60.7 million (2015: Baht 10.7 million) (The Company only: Baht 24.7 million and 2015: Baht 8.7 million).

27.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, property, office spaces and equipment. The terms of the agreements are generally between 1 and 45 years.

Future minimum lease payments required under those operating lease agreements were as follows:

	(Unit: Million Baht)			
	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	6.0	3.4	0.5	0.4
In over 1 and up to 5 years	26.1	11.5	-	0.1
In over 5 years	77.1	56.5	-	-

27.3 Service commitments

The Company and its subsidiaries have entered into consulting, cleaning services provider, security services provider, medical equipment maintenance service, and other service agreements with related individual and unrelated parties.

As at 31 December 2016, future minimum payments required under those service contracts due within one year were contracting to Baht 12 million (2015: Baht 16 million) (The Company only: Baht 6 million and 2015: Baht 9 million).

27.4 Guarantees

There were outstanding bank guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bank guarantees for the medical treatment service contracts with the Social Security Office	15	17	10	10
Bank guarantees for the medical treatment service contracts with the National Health Security Office	4	-	-	-
Bank guarantees for electricity use	4	3	1	1

27.5 Litigation

27.5.1 In 2011, the Company, as a joint defendant, was sued together with a hospital and the attending doctors (3 defendants in total) for damages amounting to approximately Baht 11 million. The plaintiff claimed that the attending doctors had jointly committed a tort in their provision of medical treatment, and that the Company, as the operator of the hospital business and employer of the doctors, was jointly responsible for the wrongful acts of the attending doctors. The Company and its doctors believe that they did not commit any wrongful acts as claimed and they therefore decided to file statements of defence. The Court of First Instance ordered the dismissal of the case on 8 July 2013.

The plaintiff subsequently appealed against the judgement and. on 11 April 2014, the Appeal Court ordered the Company to pay a total of Baht 0.2 million to the plaintiff, together with interest at 7.5 percent per annum from 30 September 2011 until payment is made.

Subsequently, the plaintiff wished to appeal the judgement with the Supreme Court, and is currently seeking permission to appeal from the Supreme Court. However, the management and the legal adviser of the Company believe that the litigation will not result in the Company incurring any material loss, and the Company therefore did not record any liabilities in the accounts.

27.5.2 In 2015, the Company, as a joint defendant, was sued together with a hospital and the attending doctor (2 defendants in total) for damages amounting to approximately Baht 7 million. The plaintiff claimed that the attending doctor had jointly committed a tort in the provision of medical treatment, and that the Company, as the operator of the hospital business and employer of the doctor, was jointly responsible for the wrongful acts of the attending doctor. The Company and the doctor believe that they did not commit any wrongful acts as claimed and they therefore decided to file statements of defence.

On 5 July 2016, the court made appointments with the plaintiff and two defendants in order to examine witnesses, and conducted a mediation. As a result of this, the plaintiff agreed to withdraw the case and the Company paid damages of Baht 0.1 million to the plaintiff on the same date. The case was finalised.

28. Fair value hierarchy

As at 31 December 2016, a subsidiary had the assets that were disclosed at fair value using level 3 as follow:

	(Unit: Million Baht)
	<u>Consolidated financial statements</u>
Assets for which fair value are disclosed	
Investment properties	51

29. Financial instruments

29.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans, long-term loans and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, The Company and its subsidiaries do not have high concentrations 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 and its subsidiaries exposure to interest rate risk relates primarily to its cash at banks, short-term borrowings, long-term borrowings and liabilities under finance lease agreements. However, since most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Foreign currency risk

The Company and its subsidiaries had no exposure to foreign currency risk as they rarely have not transactions denominated in other currencies.

29.2 Fair values of financial instruments

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

30. 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 shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.74:1 (2015: 0.59:1) and the Company's was 0.57:1 (2015: 0.45:1).

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 17 February 2017.