

Srivichaivejvivat Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2019

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, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 Company and its subsidiaries in accordance with the *Code of Ethics for Professional Accountants* as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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.

Estimation of accrued medical treatment income

The Company and its subsidiaries have 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 Company and its subsidiaries, and statistical information on the services provided by the Company and its subsidiaries. As discussed in Note 8 to the financial statements, as at 31 December 2019, the Company and its subsidiaries had accrued medical treatment income from the two government agencies amounting to Baht 107 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 Company and its subsidiaries' 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 Company and its subsidiaries 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.

Goodwill

I have focused my audit on the consideration of the impairment of goodwill with indefinite useful lives, as discussed in Notes 14 to the financial statements, because the assessment of impairment of goodwill is a significant accounting estimate requiring management to exercise a high degree of judgment in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate. There are thus risks with respect to the amount of goodwill.

I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgment in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the moving average finance costs of the Company and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates.

Other Information

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company and its subsidiaries 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Company and its subsidiaries 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.

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

Khitsada Lerdwana

Certified Public Accountant (Thailand) No. 4958

EY Office Limited

Bangkok: 27 February 2020

Srivichaivejvivat Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	191,157,895	111,555,317	43,974,701	33,513,427
Trade and other receivables	8	363,361,471	317,396,415	186,576,393	148,308,551
Medicine and supplies	9	49,006,676	49,750,874	14,510,514	15,465,949
Other current assets		8,492,917	13,368,414	1,433,600	2,335,305
Total current assets		612,018,959	492,071,020	246,495,208	199,623,232
Non-current assets					
Restricted bank deposits	10	489,400	3,889,400	-	-
Investments in subsidiaries	11	-	-	410,999,916	410,999,916
Other long-term investment		40,500,000	40,500,000	40,500,000	40,500,000
Property, plant and equipment	12	1,249,591,927	1,144,567,357	762,573,595	742,676,378
Leasehold rights	13	182,367,257	187,605,418	-	-
Goodwill	14	64,863,745	64,863,745	-	-
Deferred tax assets	22	15,304,481	11,085,903	2,573,703	1,821,725
Other non-current assets		44,144,673	44,115,727	30,865,448	31,553,366
Total non-current assets		1,597,261,483	1,496,627,550	1,247,512,662	1,227,551,385
Total assets		2,209,280,442	1,988,698,570	1,494,007,870	1,427,174,617

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 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Liabilities and shareholders' equity					
Current liabilities					
Short-term loan from financial institutions	15	118,000,000	108,000,000	110,000,000	100,000,000
Trade and other payables	16	362,658,746	317,974,572	158,525,433	113,713,596
Current portion of payable from purchase of investment	11	4,714,098	4,468,339	4,714,098	4,468,339
Current portion of long-term loans	17	115,457,474	97,104,952	68,650,367	81,755,322
Current portion of liabilities under finance lease agreements	18	7,343,272	7,363,969	1,283,259	1,098,774
Income tax payable		19,395,286	12,640,295	8,836,091	4,368,523
Other current liabilities		3,635,129	3,590,170	1,244,393	1,132,661
Total current liabilities		631,204,005	551,142,297	353,253,641	306,537,215
Non-current liabilities					
Payable from purchase of investment, net of current portion	11	27,756,848	32,470,946	27,756,848	32,470,946
Long-term loans, net of current portion	17	187,912,810	189,524,808	61,039,848	129,690,438
Liabilities under finance lease agreements, net of current portion	18	9,151,533	2,695,356	1,909,942	608,652
Provision for long-term employee benefits	19	48,380,956	28,766,375	11,381,588	7,813,806
Deferred tax liabilities	22	8,386,889	9,141,862	5,033,056	5,239,036
Other non-current liabilities		-	3,326,287	-	-
Total non-current liabilities		281,589,036	265,925,634	107,121,282	175,822,878
Total liabilities		912,793,041	817,067,931	460,374,923	482,360,093

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 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
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	44,123,192	36,199,441	44,123,192	36,199,441
Unappropriated		622,926,682	506,159,574	380,906,207	300,011,535
Other components of shareholders' equity		18,669,496	18,669,496	-	-
Equity attributable to owners of the Company		1,294,322,918	1,169,632,059	1,033,632,947	944,814,524
Non-controlling interests of the subsidiaries		2,164,483	1,998,580	-	-
Total shareholders' equity		1,296,487,401	1,171,630,639	1,033,632,947	944,814,524
Total liabilities and shareholders' equity		2,209,280,442	1,988,698,570	1,494,007,870	1,427,174,617

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

Statement of comprehensive income

For the year ended 31 December 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Profit or loss:					
Revenues					
Revenues from hospital operations		2,480,847,573	2,246,686,151	1,034,669,818	895,086,088
Dividend income	11	-	-	77,505,511	48,074,918
Other income		22,211,982	12,559,498	4,349,574	5,507,569
Total revenues		2,503,059,555	2,259,245,649	1,116,524,903	948,668,575
Expenses					
Cost of hospital operations		1,880,509,753	1,710,129,501	781,336,536	680,679,781
Selling expenses		77,373,008	67,068,719	26,002,744	23,918,460
Administrative expenses		278,841,973	244,766,125	116,991,760	108,685,647
Total expenses		2,236,724,734	2,021,964,345	924,331,040	813,283,888
Profit before finance cost and income tax expenses		266,334,821	237,281,304	192,193,863	135,384,687
Finance cost		(20,441,489)	(20,675,445)	(14,712,881)	(17,087,032)
Profit before income tax expenses		245,893,332	216,605,859	177,480,982	118,297,655
Income tax expenses	22	(45,470,025)	(39,488,078)	(19,005,959)	(12,968,289)
Profit for the year		200,423,307	177,117,781	158,475,023	105,329,366
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial losses	19	(8,338,125)	-	(1,470,937)	-
Less: income tax effect	22	1,659,619	-	294,187	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(6,678,506)	-	(1,176,750)	-
Other comprehensive income for the year		(6,678,506)	-	(1,176,750)	-
Total comprehensive income for the year		193,744,801	177,117,781	157,298,273	105,329,366
Profit attributable to:					
Equity holders of the Company		199,822,421	176,483,773	158,475,023	105,329,366
Non-controlling interests of the subsidiaries		600,886	634,008		
		200,423,307	177,117,781		
Total comprehensive income attributable to:					
Equity holders of the Company		193,170,709	176,483,773	157,298,273	105,329,366
Non-controlling interests of the subsidiaries		574,092	634,008		
		193,744,801	177,117,781		
Earnings per share					
23					
Basic earnings per share					
Profit attributable to equity holders of the Company		0.35	0.31	0.28	0.18

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities				
Profit before tax	245,893,332	216,605,859	177,480,982	118,297,655
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	148,567,949	132,158,241	54,092,631	53,604,141
Bad debts and allowance for doubtful accounts (reversal)	2,543,363	(177,219)	73,945	(177,219)
Reduction of medicine and supplies to net realisable value	81,750	46,060	33,806	59,714
Gain on disposals of equipment	(570,457)	(609,101)	(403,414)	(1,717,500)
Loss on write-off of equipment	1,249,571	457,879	827,809	116,271
Expenses of withholding tax write-off	-	2,664,159	-	-
Provision for long-term employee benefits	13,586,269	3,375,247	2,492,738	1,105,322
Dividend income from subsidiaries	-	-	(77,505,511)	(48,074,918)
Interest income	(538,240)	(429,879)	(438,879)	(379,340)
Interest expenses	20,441,489	20,675,445	14,712,881	17,087,032
Profit from operating activities before changes in operating assets and liabilities	431,255,026	374,766,691	171,366,988	139,921,158
Operating assets (increase) decrease				
Trade and other receivables	(48,508,419)	(62,711,895)	(38,341,787)	(46,054,977)
Medicine and supplies	662,448	156,756	921,629	(1,353,195)
Other current assets	4,875,497	(2,842,369)	901,705	(361,972)
Other non-current assets	(1,224,551)	230,753	112,999	(260,960)
Operating liabilities increase (decrease)				
Trade and other payables	44,441,685	2,283,076	31,438,478	1,282,493
Other current liabilities	44,959	283,930	111,732	20,361
Other non-current liabilities	(3,326,287)	31,777	-	-
Cash paid for long-term employee benefits	(2,309,813)	(346,500)	(395,893)	(157,400)
Cash flows from operating activities	425,910,545	311,852,219	166,115,851	93,035,508
Cash paid for income tax	(42,028,966)	(34,496,702)	(15,202,162)	(11,338,468)
Interest income	536,764	429,879	173,282	149,203
Net cash flows from operating activities	384,418,343	277,785,396	151,086,971	81,846,243

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from investing activities				
Decrease (increase) in restricted bank deposits	3,400,000	-39,100	-	-
Interest income	1,476	-	265,597	230,137
Acquisition of buildings improvement and equipment	(183,427,920)	(140,681,284)	(47,198,130)	(59,483,263)
Cash paid for payable of buildings improvement and equipment	(21,972,325)	(52,834,783)	(4,968,707)	(15,855,744)
Increase in leasehold rights	(12,719,701)	(28,529,746)	-	-
Cash paid for payable of leasehold rights	(1,795,762)	(1,077,475)	-	-
Acquisition of intangible assets	(1,029,734)	(9,446,067)	(996,478)	(8,655,551)
Cash receipt from dividend of subsidiaries	-	-	77,505,511	48,074,918
Proceeds from sales of equipment	619,665	609,150	413,404	15,601,186
Advance for purchase of equipment and intangible assets	(9,628,618)	(6,956,454)	(4,314,333)	(2,862,220)
Cash paid for payable from purchase of investment	(4,468,339)	(4,235,393)	(4,468,339)	(4,235,393)
Interest expenses	(4,853,867)	(2,264,607)	(2,031,661)	(2,264,607)
Net cash flows from (used in) investing activities	(235,875,125)	(245,455,759)	14,206,864	(29,450,537)
Cash flows from financing activities				
Increase in bank overdrafts and short-term loan from financial institutions	10,000,000	98,824,533	10,000,000	100,000,000
Cash receipt from long-term loans from financial institutions	117,570,000	73,330,000	-	30,000,000
Repayment of long-term loans from financial institutions	(100,829,476)	(80,662,240)	(81,755,545)	(76,704,240)
Repayment of liabilities under finance lease agreements	(9,106,200)	(9,876,427)	(1,977,605)	(2,716,801)
Dividend paid	(68,335,114)	(68,023,220)	(68,335,793)	(68,022,158)
Dividend paid to non-controlling interests of the subsidiaries	(408,189)	(252,082)	-	-
Interest expenses	(17,831,661)	(17,771,393)	(12,763,618)	(14,773,755)
Net cash flows used in financing activities	(68,940,640)	(4,430,829)	(154,832,561)	(32,216,954)
Net increase in cash and cash equivalents	79,602,578	27,898,808	10,461,274	20,178,752
Cash and cash equivalents at beginning of year	111,555,317	83,656,509	33,513,427	13,334,675
Cash and cash equivalents at end of year	191,157,895	111,555,317	43,974,701	33,513,427
	-	-	-	-

Supplemental cash flows information:

Non-cash related transactions

Acquisition of buildings improvement and equipment for which no cash has been paid	23,949,353	21,972,325	18,378,787	4,968,707
Purchase of vehicle under finance lease agreements	14,880,000	4,407,500	3,365,000	1,401,000
Interest expense capitalisation as cost of assets	2,822,206	-	-	-
Leasehold rights which no cash has been paid	-	1,795,762	-	-
Reclassify property, plant and equipment to leasehold rights	619,228	26,027,770	-	-
Transfer advance for purchase of equipment to equipment	7,866,320	6,509,225	2,376,083	3,016,211

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

Srivichaivejvitat Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2019

(Unit: Baht)

Consolidated financial statements											
Equity attributable to owners of the Company											
					Other components of shareholders' equity						
		Issued and	Retained earnings		Difference resulting	Change in parent's	Total other	Total equity	Equity attributable		
		paid-up	Appropriated -		from business	ownership interest in	components	attributable to	to non-controlling	Total	
Note		share capital	Share premium	statutory reserve	Unappropriated	combination under	subsidiaries without	of shareholders'	owners of	interests of	shareholders'
						common control	change in control	equity	the Company	the subsidiaries	equity
Balance as at 1 January 2018		570,665,433	37,938,115	30,932,973	403,422,119	37,530,739	(18,861,243)	18,669,496	1,061,628,136	1,616,654	1,063,244,790
Profit for the year		-	-	-	176,483,773	-	-	-	176,483,773	634,008	177,117,781
Other comprehensive income for the year		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	176,483,773	-	-	-	176,483,773	634,008	177,117,781
Dividend paid	26	-	-	-	(68,479,850)	-	-	-	(68,479,850)	(252,082)	(68,731,932)
Transferred to statutory reserve	20	-	-	5,266,468	(5,266,468)	-	-	-	-	-	-
Balance as at 31 December 2018		<u>570,665,433</u>	<u>37,938,115</u>	<u>36,199,441</u>	<u>506,159,574</u>	<u>37,530,739</u>	<u>(18,861,243)</u>	<u>18,669,496</u>	<u>1,169,632,059</u>	<u>1,998,580</u>	<u>1,171,630,639</u>
											-
Balance as at 1 January 2019		570,665,433	37,938,115	36,199,441	506,159,574	37,530,739	(18,861,243)	18,669,496	1,169,632,059	1,998,580	1,171,630,639
Profit for the year		-	-	-	199,822,421	-	-	-	199,822,421	600,886	200,423,307
Other comprehensive income for the year		-	-	-	(6,651,712)	-	-	-	(6,651,712)	(26,794)	(6,678,506)
Total comprehensive income for the year		-	-	-	193,170,709	-	-	-	193,170,709	574,092	193,744,801
Dividend paid	26	-	-	-	(68,479,850)	-	-	-	(68,479,850)	(408,189)	(68,888,039)
Transferred to statutory reserve	20	-	-	7,923,751	(7,923,751)	-	-	-	-	-	-
Balance as at 31 December 2019		<u>570,665,433</u>	<u>37,938,115</u>	<u>44,123,192</u>	<u>622,926,682</u>	<u>37,530,739</u>	<u>(18,861,243)</u>	<u>18,669,496</u>	<u>1,294,322,918</u>	<u>2,164,483</u>	<u>1,296,487,401</u>

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2019

(Unit: Baht)

Separate financial statements						
		Issued and	Retained earnings		Total	
		paid-up	Appropriated		shareholders'	
	Note	share capital	Shares premium	- statutory reserve	Unappropriated	equity
Balance as at 1 January 2018		570,665,433	37,938,115	30,932,973	268,428,487	907,965,008
Profit for the year		-	-	-	105,329,366	105,329,366
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	105,329,366	105,329,366
Dividend paid	26	-	-	-	(68,479,850)	(68,479,850)
Transferred to statutory reserve	20	-	-	5,266,468	(5,266,468)	-
Balance as at 31 December 2018		570,665,433	37,938,115	36,199,441	300,011,535	944,814,524
						-
Balance as at 1 January 2019		570,665,433	37,938,115	36,199,441	300,011,535	944,814,524
Profit for the year		-	-	-	158,475,023	158,475,023
Other comprehensive income for the year		-	-	-	(1,176,750)	(1,176,750)
Total comprehensive income for the year		-	-	-	157,298,273	157,298,273
Dividend paid	26	-	-	-	(68,479,850)	(68,479,850)
Transferred to statutory reserve	20	-	-	7,923,751	(7,923,751)	-
Balance as at 31 December 2019		570,665,433	37,938,115	44,123,192	380,906,207	1,033,632,947

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

Srivichaivejvivat Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2019

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.

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 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

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

TFRS 15 Revenue from Contracts with Customers

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

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

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

This standard does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

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

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

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 and its subsidiaries expects the adoption of these accounting standards to result in the following adjustments.

- Classification and measurement of investments in equity instruments of non-listed company - the Company and its subsidiaries is to measure investments in equity instruments of non-listed company at fair value and to classify the investments as financial assets at fair value, through either profit or loss or through other comprehensive income. If the Company and its subsidiaries elects to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.
- Recognition of credit losses - the Company and its subsidiaries is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Company and its subsidiaries applies the simplified approach to consider impairment of trade receivables.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards on 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 Company and its subsidiaries plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Company and its subsidiaries expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Company and its subsidiaries' assets by approximately Baht 45 million (The Company only: None) and the Company and its subsidiaries' liabilities by approximately Baht 45 million (The Company only: None).

4. Significant accounting policies

4.1 Revenue recognition

Revenue for hospital operations

Revenues from hospital operations, mainly consisting of medical fees, hospital room sales, and medicine sales, are recognised as revenue and the point in time when services have been rendered or medicines have been delivered. Revenues are measured at the amount of the consideration received or receivable of services rendered, and medicine delivered after deducting discounts. 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 Property, plant and equipment/Depreciation

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

Depreciation of 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 instruments	-	2 - 10	years
Office furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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 defined benefit plans are recognised immediately in other comprehensive income.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company and its subsidiaries recognises restructuring-related costs.

4.13 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.

4.14 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.

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:

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.

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.

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 its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Pricing policy
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Medical service income	-	-	7	11	Normal price less certain discount
Sales of equipment	-	-	-	15	Market Price
Dividend income	-	-	78	48	Resolution of the Annual General Meeting of the shareholders of subsidiaries
Medical service expenses	-	-	47	33	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 2019 and 2018, the balances of the accounts between the Company, its subsidiaries and those related parties are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiaries	-	-	862	3,301
Total trade and other receivables - related parties	-	-	862	3,301
<u>Trade and other payables - related parties</u>				
(Note 16)				
Subsidiaries	-	-	166,465	4,590
Related company and individuals	1,204	699	12	29
Total trade and other payables - related parties	1,204	699	16,477	4,619
<u>Other non-current liabilities - related parties</u>				
Related individuals	-	3,295	-	-
Total other non-current liabilities - related parties	-	3,295	-	-

Short-term loans to related parties

As at 31 December 2019 and 2018, the balances of loans between the Company and the related parties and the movement are as follows:

(Unit: Thousand Baht)

Loan to related party	Related by	Separate financial statements			
		Balance as at 31 December 2018	Increase during the year	Decrease during the year	Balance as at 31 December 2019
Saivichai Development					
Company Limited	Subsidiary	-	20,000	(20,000)	-
The Bangkok					
Orthopedic Hospital					
Company Limited	Subsidiary	-	10,000	(10,000)	-
Total		-	30,000	(30,000)	-

Short-term loans to related parties carry interest at a rate of 5.25% - 5.50% per annum, are repayable at call and unsecured.

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	36,173	36,281	25,947	25,905
Post-employment benefits	9	7	9	7
Total	<u>36,182</u>	<u>36,288</u>	<u>25,956</u>	<u>25,912</u>

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash	2,134	4,946	677	1,541
Bank deposits	189,024	106,609	43,298	31,972
Total	<u>191,158</u>	<u>111,555</u>	<u>43,975</u>	<u>33,513</u>

As at 31 December 2019, the Company and its subsidiaries had bank deposits in saving accounts and fixed deposits which carried interests between 0.10 and 0.75 percent per annum (2018: between 0.10 and 1.00 percent per annum).

8. Trade and other receivables

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2019	2018	2019	2018
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	841	1,273
Past due				
Up to 3 months	-	-	21	1,252
3 - 6 months	-	-	-	503
6 - 12 months	-	-	-	268
Total trade receivables - related parties	-	-	862	3,296
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	162,212	143,432	62,616	59,156
Past due				
Up to 3 months	48,742	56,674	26,449	20,250
3 - 6 months	9,138	4,831	6,382	1,840
6 - 12 months	2,783	1,686	922	466
Over 12 months	824	394	428	204
Total	223,699	207,017	96,797	81,916
Less: Allowance for doubtful accounts	(200)	(17)	(64)	(17)
Total trade receivables - unrelated parties, net	223,499	207,000	96,733	81,899
Total trade receivables - net	223,499	207,000	97,595	85,195
<u>Other receivable - related party</u>				
Other receivable - related party	-	-	-	5
Total other receivable - related party	-	-	-	5
<u>Other receivables - unrelated parties</u>				
Other receivables	5,259	7,411	1,721	1,551
Accrued income				
Accrued social security income	96,258	80,654	73,797	58,944
Accrued national health security income	10,943	13,680	-	-
Other accrued income	27,402	8,651	13,463	2,614
Total other receivables - unrelated parties	139,862	110,396	88,981	63,109
Total other receivables	139,862	110,396	88,981	63,114
Total trade and other receivables - net	363,361	317,396	186,576	148,309

9. Medicine and supplies

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Medicine and supplies - net	
	2019	2018	2019	2018	2019	2018
Medicine	22,779	25,423	(313)	(227)	22,466	25,196
Medical supplies	23,034	22,095	(93)	(97)	22,941	21,998
Other supplies	3,609	2,566	(9)	(9)	3,600	2,557
Total	49,422	50,084	(415)	(333)	49,007	49,751

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Medicine and supplies - net	
	2019	2018	2019	2018	2019	2018
Medicine	9,129	11,112	(169)	(114)	8,967	10,998
Medical supplies	4,929	3,956	(17)	(31)	4,912	3,925
Other supplies	632	543	-	-	632	543
Total	14,690	15,611	(179)	(145)	14,511	15,466

During the current year, the Company and its subsidiaries reduced cost of medicine and supplies by Baht 1 million (2018: Baht 0.7 million) (The Company only: Baht 0.7 million and 2018: Baht 0.4 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 0.9 million (2018: Baht 0.7 million) (The Company only: Baht 0.7 million and 2018: Baht 0.3 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	
	<u>2019</u>	<u>2018</u>	<u>2019</u> (%)	<u>2018</u> (%)	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Saivichai Development								
Company Limited	150,000	150,000	99.43	99.43	159,526	159,526	54,588	34,900
Srisakornvejvivat Company								
Limited	99,200	99,200	99.56	99.56	108,506	108,506	21,728	11,852
Srivichai Vocational College								
Company Limited	100	100	99.98	99.98	100	100	377	900
The Bangkok Orthopedic								
Hospital Company								
Limited	9,000	9,000	100.00	100.00	142,868	142,868	813	423
Total					<u>411,000</u>	<u>411,000</u>	<u>77,506</u>	<u>48,075</u>

The company had agreement to pay the unpaid amount of business acquisition for the Bangkok Orthopedic Hospital Company Limited of Baht 58.5 million in 9 annual installments of Baht 6.5 million each, starting from 2016.

12. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land	Buildings and buildings improvement	Tools and medical instruments	Office furniture, fixtures and equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2018	371,064	890,113	531,332	268,799	98,517	28,605	2,188,430
Additions/Transfer from advance	-	5,022	58,223	22,241	5,340	82,744	173,570
Reclassify	-	(19,528)	-	-	-	(7,200)	(26,728)
Disposals/write-off	-	(1,013)	(12,533)	(6,083)	(2,507)	-	(22,136)
Transfers in (out)	-	16,557	4,090	336	6,223	(27,206)	-
31 December 2018	371,064	891,151	581,112	285,293	107,573	76,943	2,313,136
Additions/Transfer from advance	-	3,215	54,444	29,691	10,810	131,964	230,124
Reclassify	-	-	-	-	-	(619)	(619)
Disposals/write-off	-	(870)	(17,957)	(11,201)	(5,547)	-	(35,575)
Transfers in (out)	-	9,390	1,125	2,866	-	(13,381)	-
Capitalised interest	-	-	-	-	-	2,822	2,822
31 December 2019	371,064	902,886	618,724	306,649	112,836	197,729	2,509,888
Accumulated depreciation:							
1 January 2018	-	481,704	314,545	218,632	61,122	-	1,076,003
Reclassify	-	(700)	-	-	-	-	(700)
Depreciation for the year	-	23,315	59,511	21,001	11,271	-	114,944
Depreciation on disposals/write-off	-	(1,006)	(12,340)	(5,831)	(2,501)	-	(21,678)
31 December 2018	-	503,313	361,716	233,802	69,738	-	1,168,569
Depreciation for the year	-	24,776	66,959	23,859	10,409	-	126,003
Depreciation on disposals/write-off	-	(859)	(17,010)	(10,877)	(5,530)	-	(34,276)
31 December 2019	-	527,230	411,665	246,784	74,617	-	1,260,296
Net book value:							
31 December 2018	371,064	387,838	219,396	51,491	37,835	76,943	1,144,567
31 December 2019	371,064	375,656	207,059	59,865	38,219	197,729	1,249,592
Depreciation for the year							
2018 (Baht 94 million included in cost of hospital operations, and the balance in selling and administrative expenses)							114,944
2019 (Baht 105 million included in cost of hospital operations, and the balance in selling and administrative expenses)							126,003

(Unit: Thousand Baht)

	Separate financial statements						
	Land	Buildings and buildings improvement	Tools and medical instruments	Office furniture, fixtures and equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2018	286,127	582,984	169,935	72,660	30,676	15,136	1,157,518
Additions/Transfer from advance	-	3,458	17,232	5,834	1,406	40,939	68,869
Write-off	-	(1,012)	(24,067)	(2,126)	(2,893)	-	(30,098)
Transfers in (out)	-	13,463	-	-	-	(13,463)	-
31 December 2018	286,127	598,893	163,100	76,368	29,189	42,612	1,196,289
Additions/Transfer from advance	-	2,663	17,820	6,680	3,779	40,376	71,318
Disposals/Write-off	-	(60)	(3,411)	(2,084)	(4,215)	-	(9,770)
Transfers in (out)	-	3,591	-	-	-	(3,591)	-
31 December 2019	286,127	605,087	177,509	80,964	28,753	79,397	1,257,837
Accumulated depreciation:							
1 January 2018	-	243,621	102,273	52,001	20,682	-	418,577
Depreciation for the year	-	17,603	21,323	8,712	3,496	-	51,134
Depreciation on disposals/write-off	-	(1,005)	(10,144)	(2,061)	(2,888)	-	(16,098)
31 December 2018	-	260,219	113,452	58,652	21,290	-	453,613
Depreciation for the year	-	18,946	19,404	9,091	3,141	-	50,582
Depreciation on disposals/write-off	-	(48)	(2,649)	(2,021)	(4,214)	-	(8,932)
31 December 2019	-	279,117	130,207	65,722	20,217	-	495,263
Net book value:							
31 December 2018	286,127	338,674	49,648	17,716	7,899	42,612	742,676
31 December 2019	286,127	325,970	47,302	15,242	8,536	79,397	762,574
Depreciation for the year							
2018 (Baht 40 million included in cost of hospital operations, and the balance in selling and administrative expenses)							51,134
2019 (Baht 41 million included in cost of hospital operations, and the balance in selling and administrative expenses)							50,582

As at 31 December 2019, the Company and its subsidiaries had vehicles and medical instruments with net book value of Baht 19 million (2018: Baht 15 million) (The Company only: Baht 4 million and 2018: Baht 3 million) which were acquired under finance lease agreements.

As at 31 December 2019, 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 602 million (2018: Baht 586 million) (The Company only: Baht 165 million and 2018: Baht 150 million).

The Company and its subsidiaries have pledged part of their land with constructions thereon, their book values as at 31 December 2019 are Baht 921 million (2018: Baht 815 million) (Separate financial statements: Baht 688 million, 2018: Baht 667 million), as collateral against credit facilities received from the commercial bank, and credit facilities of its subsidiaries.

13. Leasehold rights

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land rental	Construction on leased land	Construction in progress on leased land	Total
Cost:				
1 January 2018	2,073	194,011	5,303	201,387
Increases	-	4,701	25,625	30,326
Reclassify	-	26,728	-	26,728
Transfers in (out)	-	3,655	(3,655)	-
31 December 2018	2,073	229,095	27,273	258,441
Increases	1,200	3,101	8,419	12,720
Reclassify	-	619	-	619
Transfers in (out)	-	28,586	(28,586)	-
31 December 2019	3,273	261,401	7,106	271,780
Accumulated amortisation:				
1 January 2018	1,881	54,009	-	55,890
Reclassify	-	700	-	700
Amortisation for the year	70	14,176	-	14,246
31 December 2018	1,951	68,885	-	70,836
Amortisation for the year	470	18,107	-	18,577
31 December 2019	2,421	86,992	-	89,413

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land rental	Construction on leased land	Construction in progress on leased land	Total
Net book value:				
31 December 2018	122	160,210	27,273	187,605
31 December 2019	852	174,409	7,106	182,367
Amortisation for the year				
2018 (Baht 12 million included in cost of hospital operations, and the balance in selling and administrative expenses)				14,246
2019 (Baht 14 million included in cost of hospital operations, and the balance in selling and administrative expenses)				18,577

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.

Another subsidiary entered into an agreement with another individual to lease a building from 2004 to 2026 and an agreement with a related individuals to lease a building from 2016 to 2027. The subsidiary has mortgaged leasehold rights with a total net book value as at 31 December 2019 of Baht 27 million (2018: Baht 31 million), as collateral for credit facilities granted by a commercial bank.

14. Goodwill

Goodwill of The Bangkok Orthopedic Hospital Company Limited (a subsidiary) from a business acquisition, amounting to Baht 65 million, consisted of the business opportunities provided by acquiring a hospital ready to operate immediately from the acquisition date and future business expansion.

The recoverable amounts of the CGUs were determined based on value in use calculations made using cash flow projections covering a five-year period extracted from financial budgets approved by the management.

Key assumptions used in the value is use calculation are summarised below:

	(Unit: percent per annum)
	The Bangkok Orthopedic Hospital Company Limited
Growth rate	3.83 - 13.15
Discount rate	10.45

The management determined the growth rate based on historical operating results and expected market growth. The discount rate used reflects the risks specific to hospital business.

The management determined that there was no impairment of goodwill from the business acquisition.

15. Short-term loans from financial institutions

		(Unit: Thousand Baht)			
		Consolidated		Separate	
	Interest rate	financial statements		financial statements	
	(percent per annum)	2019	2018	2019	2018
Short-term loans from					
financial institutions	2.75% - 5.70%	118,000	108,000	110,000	100,000
Total		118,000	108,000	110,000	100,000

Short-term loans from financial institutions are secured by the pledge of part of land with constructions and leasehold right thereon of a subsidiary and guarantee provided by the Company and directors of the Company.

16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trade payables - related parties	1,040	401	16,465	4,590
Trade payables - unrelated parties	154,385	135,763	62,717	56,030
Other payables - related individuals	164	298	12	29
Other payables - unrelated parties	48,365	63,458	15,777	13,483
Doctor fee payables	47,536	42,589	19,244	18,430
Accrued expenses	111,169	75,466	44,310	21,152
Total trade and other payables	362,659	317,975	158,525	113,714

17. Long-term loans

Loan	Interest rate (%)	Repayment schedule	(Unit: Thousand Baht)			
			Consolidated		Separate	
			financial statements	financial statements	financial statements	financial statements
			2019	2018	2019	2018
Srivichaivejvivat Public Company Limited						
1	MLR-1.25 to MLR-1	Monthly installments as from December 2014	-	5,600	-	5,600
2	MLR-1.25 to MLR-1	Monthly installments as from October 2015	11,250	26,250	11,250	26,250
3	MLR-1.25 to MLR-1	Monthly installments as from January 2016	15,000	30,000	15,000	30,000
4	MLR-1	Monthly installments as from January 2016	13,520	22,640	13,520	22,640
5	MLR-1	Monthly installments as from April 2016	3,000	10,200	3,000	10,200
6	MLR-0.75	Monthly installments as from July 2016	69,860	89,900	69,860	89,900
7	4.50%	Monthly installments as from September 2018	17,060	26,856	17,060	26,856
Saivichai Development Company Limited						
8	MLR-1	Monthly installments as from November 2017	10,346	12,494	-	-
9	MLR-1	Monthly installments as from November 2018	25,730	36,590	-	-
10	MLR-1	Monthly installments as from August 2019	15,500	-	-	-
Srisakornvejvivat Company Limited						
11	MLR-1.25 to MLR-1	Monthly installments as from September 2019	6,775	-	-	-
12	MLR-1.25 to MLR-1	Monthly installments as from February 2020	81,670	-	-	-
The Bangkok Orthopedic Hospital Company Limited						
13	MLR-2.65 to MLR-1.50	Monthly installments as from September 2019	24,291	26,100	-	-
14	MLR -1.50	Monthly installments as from September 2019	9,368	-	-	-
Total			303,370	286,630	129,690	211,446
Less: Portion due within one year			(115,457)	(97,105)	(68,650)	(81,755)
Long-term loans, net of current portion			187,913	189,525	61,040	129,691

The loans are secured by the pledge of part of the land with constructions thereon of the Company and two subsidiaries, the leasehold of a subsidiary, and guaranteed provided by the Company.

Under loan agreements of two subsidiaries, the Company (as a guarantor) and two subsidiaries are required to comply with several covenants specified in the agreements, including maintenance of a certain debt-to-equity ratio and maintenance of the Company's shareholding in a subsidiary.

As at 31 December 2019, the Company and two subsidiaries had long-term credit facilities under loan agreements which have not yet been drawn down amounting to Baht 345 million (2018: Baht 41 million).

18. Liabilities under finance lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Liabilities under finance lease agreements	17,597	10,458	3,403	1,785
Less: Deferred interest expenses	(1,102)	(399)	(210)	(77)
Total	16,495	10,059	3,193	1,708
Less: Portion due within one year	(7,343)	(7,364)	(1,283)	(1,099)
Liabilities under finance lease agreements				
- net of current portion	<u>9,152</u>	<u>2,695</u>	<u>1,910</u>	<u>609</u>

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles and medical instruments 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 and the effective interest rates are between 2.64 and 5.62 percent per annum (2018: between 2.64 and 5.76 percent per annum) (The Company only: between 3.79 and 5.40 percent per annum and 2018: between 5.15 and 5.40 percent per annum).

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

	(Unit: Thousand Baht)					
	As at 31 December 2019					
	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	2 - 5 years	Total	1 year	2 - 5 years	Total
Future minimum lease payments	8,021	9,576	17,597	1,398	2,005	3,403
Deferred interest expenses	(678)	(424)	(1,102)	(115)	(95)	(210)
Present value of future minimum lease payments	<u>7,343</u>	<u>9,152</u>	<u>16,495</u>	<u>1,283</u>	<u>1,910</u>	<u>3,193</u>

(Unit: Thousand Baht)

As at 31 December 2018

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	2 - 5 years	Total	1 year	2 - 5 years	Total
Future minimum lease payments	7,680	2,778	10,458	1,154	631	1,785
Deferred interest expenses	(316)	(83)	(399)	(55)	(22)	(77)
Present value of future minimum lease payments	7,364	2,695	10,059	1,099	609	1,708

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 financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Provision for long-term employee benefits at beginning of year	28,766	26,043	7,814	6,866
Included in profit or loss:				
Current service cost	3,537	2,580	963	881
Interest cost	999	786	246	215
Employee rotation cost	-	-	(675)	-
Past service costs	9,141	-	1,946	-
Loss (gain) on settlement	(90)	9	13	9
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	374	-	90	-
Financial assumptions changes	6,439	-	1,800	-
Experience adjustments	1,525	-	(419)	-
Reclassify to short-term employee benefits	-	(305)	-	-
Benefits paid during the year	(2,310)	(347)	(396)	(157)
Provisions for long-term employee benefits at end of year	<u>48,381</u>	<u>28,766</u>	<u>11,382</u>	<u>7,814</u>

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 and its subsidiaries have additional long-term employee benefit liabilities of Baht 9 million (The Company only: Baht 2 million) as a result. the Company and its subsidiaries reflected the effect of the change by recognising past service costs as expenses in the statement of comprehensive income of the period in which the law is effective, which is the second quarter of the current year.

The Company and its subsidiaries expect to pay Baht 3 million of long-term employee benefits during the next year (Separate financial statements: None) (2018: Baht 2 million, separate financial statements: Baht 0.4 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 8 - 18 years (Separate financial statements: 18 years) (2018: 11 - 17 years, separate financial statements: 12 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Discount rate	1.79 - 4.33	4.20 - 4.30	1.79 - 4.33	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 - 30.00	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 2019 and 2018 are summarised below:

		(Unit: Thousand Baht)			
		31 December 2019			
		Consolidated		Separate	
		financial statements		financial statements	
	(% per annum)	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate	1.00	(4,186)	4,901	(1,166)	1,383
Future salary increase rate	1.00	4,749	(4,145)	1,341	(1,155)
Staff turnover rate	20.00	(5,440)	7,217	(1,846)	2,580

(Unit: Thousand Baht)

31 December 2018

		Consolidated		Separate	
		financial statements		financial statements	
		<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	(% per annum)				
Discount rate	1.00	(2,727)	3,204	(810)	956
Future salary increase rate	1.00	3,713	(3,195)	1,093	(935)
Staff turnover rate	20.00	(3,876)	5,273	(1,349)	1,912

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:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and wages and other employee benefits	756,800	685,100	311,813	288,584
Depreciation and amortisation	148,568	132,158	54,093	53,604
Doctor fees	488,541	456,447	185,675	172,753
Medical treatment expense for referred patients	172,318	144,906	127,599	88,429
Medicine, medical supplies and other supplies used	371,917	341,033	130,964	118,024

22. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax:				
Current income tax charge	48,784	41,272	19,670	13,344
Deferred tax:				
Relating to origination and reversal of temporary differences	(3,314)	(1,784)	(664)	(376)
Income tax expenses reported in profit or loss	<u>45,470</u>	<u>39,488</u>	<u>19,006</u>	<u>12,968</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax relating to actuarial losses	<u>1,660</u>	<u>-</u>	<u>294</u>	<u>-</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accounting profit before tax	<u>245,893</u>	<u>216,606</u>	<u>177,481</u>	<u>118,298</u>
Applicable tax rate	20% and 0% - 15%	20% and 0% - 15%	20%	20%
Accounting profit before tax multiplied by applicable tax rates	49,100	43,244	35,496	23,660
Effects of:				
Non-deductible expenses	1,757	1,525	767	619
Tax-exempted dividend income	-	-	(15,501)	(9,615)
Additional expense deductions allowed	(5,387)	(5,281)	(1,756)	(1,696)
Total	<u>(3,630)</u>	<u>(3,756)</u>	<u>(16,490)</u>	<u>(10,692)</u>
Income tax expenses reported profit or loss	<u>45,470</u>	<u>39,488</u>	<u>19,006</u>	<u>12,968</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
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax assets				
Allowance for doubtful accounts	40	4	13	4
Allowance for diminution in value of medicine and supplies	83	66	36	29
Recognition of rental expenses	4,463	4,052	-	-
Provision for employee benefits	10,279	6,470	2,525	1,789
Loss on fair value adjustment of leasehold rights of subsidiary from acquisition of business	439	494	-	-
Total	<u>15,304</u>	<u>11,086</u>	<u>2,574</u>	<u>1,822</u>

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Deferred tax liabilities				
Accumulated depreciation - Buildings	7,464	7,764	5,033	5,239
Gain on fair value adjustment of fixed assets of subsidiary from acquisition of business	923	1,378	-	-
Total	8,387	9,142	5,033	5,239

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit for the period (Thousand Baht)	199,822	176,484	158,475	105,329
Weighted average number of ordinary shares (Thousand shares)	570,665	570,665	570,665	570,665
Earnings per share (Baht per share)	0.35	0.31	0.28	0.18

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 2019, the Company and its subsidiaries have revenues from one major customer in amount of Baht 461 million, arising from hospital business (2018: Baht 400 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. The Company, its subsidiaries and its employees 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 2019 amounting to approximately Baht 5 million (2018: Baht 4 million) (The Company only: Baht 2 million and 2018: Baht 2 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Cash dividend (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2017	The Annual General Meeting of the shareholders on 21 April 2018	68,480	0.12
Total dividends for 2018		68,480	0.12
Final dividends for 2018	The Annual General Meeting of the shareholders on 22 April 2019	68,480	0.12
Total dividends for 2019		68,480	0.12

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2019, the Company and its subsidiaries had capital commitments relating to the construction of buildings and the buildings improvement of approximately Baht 88.2 million (2018: Baht 110.0 million) (The Company only: Baht 72.2 million and 2018: Baht 11.5 million), and relating to medical service system and acquisition of medical devices and hospital equipment of approximately Baht 42.4 million (2018: Baht 51.5 million) (The Company only: Baht 5.0 million and 2018: Baht 4.1 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 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Payable:				
In up to 1 year	9.5	9.8	0.6	0.5
In over 1 and up to 5 years	29.9	30.0	0.1	-
In over 5 years	59.8	67.4	-	-

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 unrelated parties.

As at 31 December 2019, future minimum payments required under those service contracts were contracting to Baht 25 million (2018: Baht 22 million) (The Company only: Baht 9 million and 2018: Baht 9 million).

27.4 Guarantees

- (a) The Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 88 million (2018: Baht 63 million).
- (b) 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bank guarantees for the medical treatment service contracts with the Social Security Office	20	14	10	10
Bank guarantees for the medical treatment service contracts with the National Health Security Office	4	4	-	-
Bank guarantees for electricity use	4	4	1	1
Bank guarantees for other proposes	4	-	3	-

27.5 Litigation

On 25 July 2018, the Company, as a joint defendant, was sued together with the attending doctors (3 defendants in total) for damages amounting to approximately Baht 20 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, must be held jointly responsible for the wrongful acts of the attending doctors. The Company and its doctors are of the opinion that they did not commit any wrongful acts as claimed, and therefore decided to file statements of defence.

Thereafter, On 11 June 2019, the Company entered into a compromise agreement with the plaintiff and agreed to pay the compensation amounting Baht 1.5 million. As at 30 June 2019, the Company had set aside a provision in full amount for liabilities arising as a result of the legal cases and paid in July 2019. The case is therefore considered to be finalised.

28. Financial instruments

28.1 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, bank overdrafts, short-term and 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 accounts receivable and other receivable. 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 accounts receivable and other receivable 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, bank overdrafts, short-term and long-term loans 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.

28.2 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.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

29. Capital management

The primary objective of the Company and its subsidiaries' 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 2019, the Company and its subsidiaries' debt-to-equity ratio was 0.70:1 (2018: 0.70:1) and the Company's was 0.45:1 (2018: 0.51:1).

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2020.