

NEW

รายงานประจำปี 2554

ANNUAL REPORT 2011



แบบ 56-2



บริษัท วัฒนการแพทย์ จำกัด (มหาชน)
WATTANA KARNPAET PUBLIC COMPANY LIMITED

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Letter from the Chairman



Dear Shareholders,

In the past years, various events have been witnessed including political events, economic crisis events, environmental natural disasters both in our country and globally. Many of these events were unexpected and unpredictable and hence taught us valuable lessons for handling our business today and in to the future. Our today business will need to be equipped with adequate self preparation in order to cope with the unknown changes in the future to come.

For our North-Eastern Wattana Hospital, especially in these past five years, the company has been expanded and the trends show constant growth. This is partly from the expansion of the economic of the North-Eastern region of Thailand, which connected to the growing Mekong Sub region, together with the Indochina countries including Laos, Vietnam, and Cambodia, South China region.

As such, the company's committee is ready with the continuing commitment to develop the quality health care services with standards to meet the needs for healthcare services. In addition, the company increases the investment in the medical equipments that are high technology. New ward of 20 inpatient rooms and 2 operating rooms had been opened in 2011. Also the Emergency Department had been renovated and modernized to raise standard level. Together with the self-improvement of the North-Eastern Wattana Hospital to obtain the Hospital Accreditation in order to be the leader in the healthcare system with global standards and ready for the coming of ASEAN economic community.

Lastly, on behalf of the company's committee, I would like to thank all shareholders for your generous trust and continuing supports for the company's operations.

Sincerely Yours



(Associate Professor Dr. Phiphat Tangsubkul)

Chairman of the Board

Wattana Karnpaet Public Company Limited

Subject : Opinion of Chairman of the Audit Committee
To : The Shareholders
Of Wattana Karnpaet Public Company Limited

I, Ass.Prof.Dr. Poonsak Vaisamruat, the Chairman of the Audit Committee of the Wattana Karnpaet Public Company Limited, would like to inform that as the Audit Committee has been appointed by the Board of Directors with the scope, duties, and responsibility for the internal control and management of the company, the Audit Committee has performed the duties accordingly in order to protect the overall benefits of minor shareholders. In 2011, the Audit Committee has met five times, which the findings can be summarized as follows:

1. The Audit Committee has reviewed the Quarterly and Annual Financial Statements to ensure that the preparation of the financial statements, along with the company's accounting policies, were done in an accurate and suitable manner. Based on this review, the Audit Committee believes that the company's financial reports have been presented in accordance with the generally accepted accounting principles and have provided adequate disclosure.
2. The Audit Committee, together with internal auditor, have reviewed and assessed the internal audit results in order to ensure the effectiveness, suitability, and accuracy of the internal control system.
3. The Audit Committee has reviewed the disclosure of transactions with related parties or others, which may involve conflict of interest. There is no conflict of interests found on the disclosure of transactions.
4. The Audit Committee has reviewed and investigated to ensure that the company operates with transparency and follows the laws and regulations, including the regulations of the company and relevant government agencies.
5. The Audit Committee has nominated auditor for 2011 and proposed to the Board of Directors to appoint Mr. Savei Viwatpanachat and Miss Chaovana Viwatpanachat, license numbers 2219 and 4712 respectively, of Sumnakgan Pitisevi as the company's auditor.

We hereby confirm having audited the financial report of company, year 2011 and fully accepted it.

Sincerely Yours,



(Ass.Prof.Dr.Poonsak Vaisamruat)

Chairman of the Audit Committee

Wattana Karnpaet Public Company Limited

1. General Information**1.1 Company Information**

Wattana Karnpeat Public Company Limited operates 100 beds private hospital under the name of North Eastern Wattana General Hospital since 1985, locates at 70/7-8 Supakitjanya Road, Tumbon Makkheng , Amphur Muang , Udonthani 41000 Registration number 0107537002095 Tel: 0-4224-1031-3 and 0-4224-6181-3 Fax: 0-42 24-1956 E-mail Address : admin@wattanahospital.net Website : www.wattanahospital.net with registered capital of 100 million Baht paid up capital 100 million Baht (par value 10 Baht/Share)

In 1994 the company had invested 55% in 21 Sattawat Vejchakit Company Limited which operates Wattana NongKhai 100 beds. In 2002 , the company had reduced the invested share portion to 15% , the company redeposited the rest of shares in 2003.

1.2 The number and type of fully paid shares of all the registered bodies that the company has more than 10 per cent of the total fully paid shares of those registered bodies

- None -

1.3 References**(a) Share Registrar**

Thailand Securities Depository Company Limited
The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey Bangkok 10110
Telephone : 0-2229-2800 Fax : 0-2229-2888

(b) Auditor

Mr. Savei Viwatpanachat, and Miss Chaovana Viwatpanachat
Sumnakgan Pitisevi
8/4 Floor 1st, 3rd Soi Viphavadee 44 (Soi AMornphan 4), Viphavadee-Rangsit Rd., Ladyao,
Chatuchak, Bangkok 10900
Telephone : 0-2941-3584-6 Fax : 0-2941-3658
E-Mail : pitisevi@cscoms.com

(c) Legal Counselor

Mr. Thawon Tangsubkul
LEGAL OUT-SOURCE LTD.
6 th Floor , Lumpini Buliding (Soi Sarasin)
239/2 Rajadamri Road , Lumpini , Patumwan , Bangkok 10330
Telephone : 0-2650-5072-3 Fax : 0-2650-5074
E-mail : lego@loxinfo.co.th

2. The Summary of Financial data of Company

The Summary of Financial data of Company

(Unit : Thousand baht)

	2011	2010	2009
Asset at year date			
Total Assets	402,188	408,370	400,380
Total Liabilities	122,723	112,447	109,961
Shareholders' Equity	280,464	295,923	290,419
Operating performance January - December			
Service Revenues	210,628	212,913	187,626
Total Revenues	212,967	216,241	189,916
Cost of services and expenses	205,792	199,359	174,523
Profit before finance cost and corporate income tax	7,175	16,882	15,393
Interest Expense	6,381	5,061	5,650
Profit before corporate income tax	794	11,822	9,743
Net Profit (Loss)	(898)	8,004	9,064
Per share data (Baht)			
Earning (Loss) per share	(0.08)	0.80	0.91
Weighted Shares (000' shares)	10,000	10,000	10,000
Book value per share	28.04	29.59	29.04
Financial Ratio			
Current Ratio	0.43	0.47	0.48
Gross Profit Margin (%)	20.32	25.83	24.16
Net Profit Margin (%)	(0.42)	3.70	4.77
Return on Asset (%)	(0.22)	1.98	2.29
Return on Equity (%)	(0.31)	2.73	3.17
Debts to Equity Ratio	0.43	0.38	0.38
Growth Rate – Increase (Decrease)			
Total Assets (%)	(1.51)	2.00	2.06
Total Liabilities (%)	8.25	2.26	(0.43)
Service Revenues (%)	(1.07)	13.48	15.48
Net Profit (%)	(111.22)	(11.69)	616.52

3. Nature of Business

3.1 General Business Operations

The Wattana Karnpaet Public Company Limited operates the first 100 bed-sized private general hospital. The hospital is a tertiary hospital, which consist mainly of Outpatient Department, Inpatient Department and X-Ray Computer.

3.2 Income Structure

Income structure by departments

Types of Patients	2011		2010		2009	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
Outpatient	95,191	44.70	95,551	44.1	87,164	45.9
Inpatient	115,438	54.20	120,690	55.8	100,462	52.9
Profit from Subsidiary share sell	-	-	-	-	-	-
Others	2,338	1.10	3,328	1.5	2,290	1.2
Total	212,967	100	216,241	100.0	189,916	100.0

Income structure by services

Types of Services	2011		2010		2009	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
(1) Income from the hospital's operations	210,629	98.90	212,913	98.5	187,626	98.8
- Medicines and medical supplies	68,004	31.93	67,034	31.0	53,539	28.2
- Doctor fees	48,149	22.61	49,735	23.0	45,651	24.0
- Room charges	20,859	9.79	17,299	8.0	12,518	6.6
- Investigation and treatment	71,096	33.38	74,603	34.5	72,482	38.2
- Other hospital related incomes	2,521	1.18	4,242	2.0	3,436	1.8
(2) Other incomes	2,338	1.10	3,328	1.5	2,290	1.2
- Interest received	1,154	0.54	1,108	0.5	1,178	0.6
- Other incomes	1,184	0.56	2,220	1.0	1,112	0.6
Total income	212,967	100.0	216,241	100.0	189,916	100.0
Percentage increase (decrease) in total income	-	(1.51)	-	13.9	-	15.1

3.3 Major events

- Decorating the In Patient Department service areas to modernize the atmosphere and increase the satisfaction of the patients. Together with opening of new ward of 20 inpatient rooms on the 7th floor of the 3rd building.
- Opened 2 new Operating Rooms in the 3rd building.

- Renovated and modernized the Emergency Department for the customers' satisfaction.
- In July 2011, the hospital had passed the extension of the second stage of the hospital accreditation from the Hospital Accreditation Institution of Thailand. The hospital also submitted for the Hospital Accreditation in early 2012.

Industry's Trend and Future Competition

1. Industry's Structure

The private hospital industry is a highly competitive industry with the competitors being from both the private and public sectors. Together with, the variety of healthcare scheme available for patients to freely acquire the healthcare services, for examples, the National Health Scheme, Social Security Scheme, and Government Employees Program. This, to a certain extent, lowers the number of patients coming to private hospitals.

The Company's Advantages

The company has been operating a private hospital for more than 26 years, therefore is well-known among the local patients who trust in the experiences in healthcare the hospital has to offer. Additionally, the company was established by a group of medical doctors, ensuring that the level of quality of healthcare has been the first priority to be maintained over time. The company focuses on the continuously improvement of the quality of personnel and the quality of the healthcare system with the patient safety as a prime concern.

The Company's Disadvantages

Since the company is located in a country town, the recruitment of medical specialists and other healthcare professionals is found much more difficult than it would be in Bangkok.

2. Industry Competition

Due to the capital-intensive nature of the industry as well as the cumbersome process in recruiting of both physicians and healthcare professionals, it is rather difficult for a new operator to enter into the industry. In terms of buyer power, the buyers are furnished with a relatively high degree of bargaining power in selecting other competing hospitals, both in the same province and those in Bangkok, for the services they need. On the competition climate, the industry is considered highly competitive due to the number of hospitals and beds on the supply side is more than the buyers' demands.

4. Risk factors

a. Risk from commodity prices

Agricultural business is the major source of income for Thai people, and it would further impact purchasing power of the population in the region. This is one of the factors affecting hospital business. Nowadays the agricultural sector has been affected by the World economy crisis has led to the falling in prices of the agricultural goods significantly. With the decrease in incomes of the agricultural sector, the private hospital will experience the drop of patients respectively. If the trends in the economy crisis does not show the improvement over time, the income of the company will be certainly affected.

b. Interest rate risk

Hospital business is one of the businesses that need large investment capital for buildings and medical equipment. The major source of funds has always been from the bank. As such the interest rate is also considered an important risk on the financial cost of the hospital businesses.

c. Currency risk

The fluctuation of foreign exchange rate generates direct impact to hospital business due to imported equipments and medications. As such, the volatility of currency would increase operating cost to the hospital.

d. National Health Scheme

The National Health Scheme has drained the patients from private hospitals to the public hospitals.

e. Competition

Since there are a number of private hospitals in Udonthani, the competition level for private hospitals is in a very high level. The marketing tactics include the price war and other aggressive marketing tactics. However, the company's hospital (100 beds) is the appropriate size to manage its cost structure due to its relatively small in size.

f. The policy of free trade of the country and the trend of the merging of powerful private hospitals

The free trade agreement of ASEAN Economic Community : AEC, which approaching in 2015, attracts the investment interests in the private hospital from ASEAN countries, especially those in the connected countries in ASEAN. Udonthani is one of the city that locates near the boarder of Laos PDR., a country where lots of attention are placed at. Both opportunities and threats are present for the competition climate of private hospitals, and the company is fully aware of this side of risk and has been prepared for the coming changes.

g. Staffing

The shortage of health care professionals in the upcountry is a major concern to both public and private hospitals in a way that headhunting for reputable staffs had driven the administrative expenses sky-high.

h. Social Security Scheme

The social security scheme posts risks to the hospitals in terms of the high cost diseases treatment, which become the hospitals' treatment costs for the social security patients. There is an increasing trend of Thai population with these diseases such as cancers. Consequently, the hospitals that take up the social security scheme; receiving a lumpsum of payment have to also take the risk of all the treatment costs that associated with these diseases.

5. Structure and Management of Shares

5.1 Shareholders

Names of the first ten largest shareholders including the number of shares held and the percentage distribution of shares as of 13th March, 2012

		Number of shares	%
1	Thailand Securities Depository Company Limited For Depositors	4,348,088	43.48
2	Mrs. Phirawan Changsirivattanathamrong	2,284,300	22.84
3	Miss Natthira Tangsubkul	1,352,487	13.53
4	Mr. Phiphat Tangsubkul	807,282	8.07
5	Miss Bangon Tangsubkul	302,250	3.02
6	Mr. Sittichai Ungklomklearw	270,000	2.70
7	Mrs. Suphawan Tangsubkul	185,000	1.85
8	Mr. Somsak Sudjaritputtangkul	45,000	0.45
9	Thailand Securities Depository Company Limited For Foreign Depositors	38,500	0.39
10	Mr. Soran Sangsananan	30,000	0.30

Remark: data from the share distribution from the Thailand Securities Depository as of 13th March 2012

5.2 Management

The Board of Directors

The company's Board of Directors consists of 8 directors of which

	Name	Position
1. Ass. Prof. Dr. Phiphat	Tangsubkul	Chairman
2. Suphawan	Tangsubkul, M.D.	Vice President
3. Sitichai	Ungklomklearw, M.D.	Director
4. Miss Bangon	Tangsubkul	Director
5. Mr. Monthien	Kaeowong	Independence Director
6. Ass. Prof. Dr. Poonsak	Vaisamruat	Independence Director/ Audit Committee Chairman
7. Miss Suda	Santiseveekul	Independence Director/ Audit Committee Director
8. Alisa	Neramittagapong, M.D.	Independence Director/ Audit Committee Director
Miss Saovaluck	Mingmongkolsri	Secretary Company

Director Authorized to sign on Behalf of the Company are as follows:

The directors authorized to sign on behalf of the company consist of two signatures of the company directors, comprise of Ass. Prof. Dr. Phiphat Tangsubkul, Dr. Suphawan Tangsubkul, Dr. Sittichai Ungklomklearw, and Miss Bangon Tangsbukul, with the Company's seal.

The Scope of Authorities and Responsibilities of the Company's Directors

1. Organizing the Shareholder's Meeting annually within 4 months from the end of the company's accounting period.
2. Organizing the Board of Directors' Meeting at least once every three months.
3. Facilitating the Company's Balance Sheets and Income Statements to be made at the end of the company's accounting period, of which the auditors have made an audition, and subsequently presented at the shareholder's meeting for approval.
4. Managing the company in accordance with the laws and regulations, the company's objectives, and the consents from the shareholders' meeting with integrity and with a reserved good faith in the company's benefits and with the responsibilities to the shareholders at all time.
5. Shall make policies and directions for the company's operations. Together with, monitoring that the plans are rolled out effectively and efficiently.
6. Ensuring that there is the internal auditing system in place effectively.
7. Responsible to ensure for the transparency, accuracy, and adequacy of the notification of the company's financial information, as well as, other information reporting to the shareholders and investors.
8. The Directors are authorized to decide on the structure of administration, to appoint management committee, Chief Executive Officer, or other Directors as appropriate.

Audit Committee

1. Ass.Prof.Dr.Poonsak	Vaisamruat	Audit Committee Chairman
2. Miss Suda	Santiseveekul	Audit Committee Director
3. Alisa	Neramittagapong, M.D.	Audit Committee Director
4. Miss Saovaluck	Mingmongkolsri	Secretary

The Scope of Duties and Responsibilities of the Audit Committee

The Audit Committee is scheduled to meet every 3 months and have duties and responsibilities as follows:

1. Coordinate with the internal auditing unit of the company in the areas of strategic planning, reporting , and evaluating performance and problems affecting the company's controlling system.
2. Give advices on positioning and remuneration of account auditor. At the same time, coordinate with the account auditor to find solutions to problems and important matters that require attention.
3. Review and provide consultation for the outcomes and proposals raised by the account auditor and the internal auditing body. In addition, the implementation of the valuable suggestions is to be followed up together with the reporting of such actions to the company's board and committee.

4. Review the account information reported by the company before presenting to the committees.
5. Ensure that the significant risks are being properly managed
6. Ensure that the rules regulations given by the Exchange Commission and the Stock Exchange of Thailand are followed

Remuneration Sub-Committee

- | | |
|--------------------------------|--|
| 1. Mr.Monthien Kaeowong | Chairman of Remuneration Sub-Committee |
| 2. Miss Bangon Tangsubkul | Remuneration Sub-Committee |
| 3. Alisa Neramittagapong, M.D. | Remuneration Sub-Committee |

The Scope of Authorities and Responsibilities of the Sub-Committee for Compensation and Benefits

1. Deciding on the remunerations for the Board of Directors and presenting at the Board of Directors meeting, then subsequently presenting to the shareholders for the final approval.
2. Deciding and approving the remunerations resulted from the ESOP warrants.

Management Committee

The company has 4 management committees as follows:

- | | |
|--------------------------------------|---------------------------------------|
| 1. Ass. Prof. Dr. Phiphat Tangsubkul | Chairman of the Executive Board / CEO |
| 2. Dr. Suphawan Tangsubkul, M.D. | Executive Director |
| 3. Dr. Sitichai Ungklomklearw, M.D. | Executive Director |
| 4. Miss Bangon Tangsubkul | Executive Director |

The Scope of Authorities and Responsibilities of the Management Committee

The scope of authorities and responsibilities of the Management Committee includes the regular operations' administration and management of the company. The main authorities and responsibilities are:

1. Plan the policy, business strategy, budget, management structure, and other operations guidelines of the company with consideration of the economic and social conditions.
2. Carry out the business and manage company's business activities with objective, regulations, policy, delegation or consents of the Board of Directors from the Board's meeting or from the company's shareholder meeting.
3. Plan the organization structure, management authority, appointment, employment, allocation, and termination of employment.
4. Operate in other issues as being given by the Board of the Directors on occasional basis.

Directors and Management's Remuneration

Remuneration for the Directors.	0.44	Million Baht.
Remuneration for Management Team (Including managements that are not directors)	17.63	Million Baht.
Total Remuneration for Directors and Management	18.07	Million Baht.

Remark : The payments to committees are given as meeting allowance, whereas for the management, the payments are given as salaries, over-time payments, doctor fees, bonuses, social securities, and other benefits.

◆ 4 committees with management position

		Payment for board committee
1. Dr.Phiphat	Tangsubkul	140,000
2. Sittichai	Ungklomklearw , M.D.	60,000
3. Suphawan	Tangsubkul , M.D.	60,000

		Payment for board committee
4. Miss Bangon	Tangsubkul	60,000

◆ 1 committee without management position

		Payment for board committee
Mr.Monthien	Kaeowong	40,000

◆ 3 Independent committees are as listed below. The criteria of independent committees selection (in consistency with the No. 16 of Thailand Securities and Exchange Commission TJ28/2008) include (1) possess no more than 1% of company's shares with voting rights, (2) never been and not in a company's committee that involve in management or receive salaries from the company or in control of the company, with an exception of 2 years absency from such position. However, this does not include the independent committees who had been in public sector or a consultant of public sector which holds shares or in control of the company, (3) not a person related by blood or by law as parents husband wife siblings children and husband or wife of the management/major share holders/person with controlling power/ person to be nominated to be in management position or have controlling power, (4) never been and not related in business activities with the company in any manners which may cloud the independent judgment, (5) never been and not an auditor for the company unless have been absent from that position for more than 2 years, (6) never been and not a consultant of any fields including financial consulting or legal consulting that receive a consulting fee of more than Baht 2 million per year from the company, unless have been absent from that position for more than 2 years, (7) not a committee that elected to be a nominee of the company's committees, (8) not operates a business of the same condition and in competition with the company's business, (9) not possess any other characters which may compromise the independent judgment on the company's operations.

The independent committees who meet the (1) to (9) criteria may be assigned by the board of committees to make committee decisions on the company's operations matters.

In case the independent committees elected used to be or have any business relationships or received consulting fee exceeding the limit sent in the criteria (4) or (6), the company's committees may relax the criteria if consider that to have no impact on the role and independent judgment, and the company reported the following information in the letter to shareholders to appoint the independent committees already; (a) the business relationships or the consulting activities which not meet the criteria, (b) reasons and needs to appoint or keep the person to be an independent committee, (c) opinions of the company's committees who nominated the person to be an independent committee.

Payment for board audit committee

Ass.Prof.Dr.Poonsak Vaisamruat	40,000
Miss Suda Santiseveekul	20,000
Alisa Neramittagapong, M.D.	15,000

Directors' Meeting Participation in 2009

	Attendance / Total Directors Meeting (Time)		
	Board of Directors	Management Committee	Audit Committee
1. Ass. Prof. Dr. Phiphat Tangsubkul	6/6	1/1	-
2. Dr. Sitichai Ungklomklearw, M.D.	6/6	1/1	-
3. Dr. Suphawan Tangsubkul, M.D.	6/6	1/1	-
4. Miss Bangon Tangsubkul	6/6	1/1	-
5. Mr.Monthien Kaeowong	4/6	-	-
6. Ass.Prof.Dr.Poonsak Vaisamruat	4/6	-	5/5
7. Miss Suda Santiseveekul	4/6	-	5/5
9. Dr. Alisa Neramittagapong, M.D.	3/6	-	4/5

Auditor's Remuneration

The auditor's remuneration for the year 2011 is 500,000 Baht per year by the Pitisavi & Company.

Details of the Board of Directors and Management

Remark: data from the share distribution from the Thailand Securities Depository as of 4th March, 2011

Name – Surname / Position	Age (Years)	Education	Shareholding (%)	Relationship	Work experiences in the past 5 years	
					Period	Position / Company
1) Ass. Prof. Dr. Phiphat Tangsubkul Chairman and Authorized Director	68	- Ph.D. in International Law, France - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	8.07	-	1985-Current	- Chairman and CEO at the Wattana Karnpaet Public Company Limited
2) Dr. Sitichai Ungklomklearw, M.D. Director and Authorized Director	58	- M.D., Siriraj, Mahidol University, Thailand - Board Certification Specialist in Surgery, Siriraj, Mahidol University, Thailand - Attended the Director Accreditation Program (DAP)	2.70	-	1986-Current	- Medical Director and Head of Surgical Department at the Wattana Karnpaet Public Company Limited
3) Dr. Suphawan Tangsubkul, M.D. Director and Authorized Director	66	- M.D., Chiangmai University, Thailand - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	1.85	Wife of (1)	1985-Current	- Vice- Medical Director and Managing Director at the Wattana Karnpaet Public Company Limited
4) Miss Bangon Tangsubkul Director and Authorized Director	72	- Bachelor of Commerce, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	3.02	Sister of (1)	1985-Current	- Financial Manager at the Wattana Karnpaet Public Company Limited
5) Mr. Monthien Kaeowong Director	83	- Bachelor of Law, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	0.013	Husban of (4)	2004-Current	- Independent Lawyer

Name – Surname / Position	Age (Years)	Education	Shareholding (%)	Relationship	Work experiences in the past 5 years	
					Period	Position / Company
6) Ass.Prof.Dr.Poonsak Vaisamruat Independent Director, Chairman of the Audit Committee	59	- Bachelor of Law (Honours Class 2), Chulalongkorn University, Thailand - Doctoral de l' University de Paris II (Droit Administratif) (Mention tres bien) 1981 - Attended the Director Accreditation Program (DAP)	-	-	2004-Current	- Lecturer at the Law Faculty, Turakit Bandit University, Bangkok - Speaker for the subject of philosophy and Public Company Law for Undergraduates and higher degrees (1993 – Current) - Chairman of Audit Committee at the Wattana Karnpaet Public Company Limited
7) Miss Suda Santiseveekul Audit Committee	61	- Bachelor of Finance, Turakit Bandit University, Thailand - Attended the Director Accreditation Program (DAP)	0.002	-	2000-Current	- Audit Committee at the Wattana Karnpaet Public Company Limited
8) Alisa Neramittagapong, M.D. Audit Committee	35	- Medical Doctor, Khonkean University, Thailand - Board Certification Specialist in Anesthetics, Khonkean University, Thailand	-	-	8 th of June, 2008 Current	-Anesthetist Doctor at Udonthani Provincial Hospital (2005-Current) - Audit Committee at the Wattana Karnpaet Public Company Limited
9) Mrs. Darunee Venghuck Human Resources Manager	45	- Certificate of Accounting Udon Panichakarn-Changkon College Udonthani, Thailand	-	-	1985-Current	- Human Resources Manager at the Wattana Karnpaet Public Company Limited

6. The principle of good Corporate Governance

6.1 Strategies for monitoring and managing the business








The company recognizes the importance of possessing a good corporate governance to inform the shareholders and the public and at the same time enable an auditing process for the company. The company focuses on being transparent in practicing the business and reporting the information. Risks related to the business are recognized by the monitoring system in place. The identified risks are in turn managed as deemed appropriate. In addition, the company has implemented code of ethics for the board and the employees to follow.

6.2 Shareholders' rights

The shareholders meeting was held in a meeting room provided by the company. The company annual report was distributed to all shareholders 7 days before the meeting to study and comment as deemed appropriate. If shareholder cannot attend the meeting, proxy should be assigned to an appropriate person or the audit committee. The meeting was precisely and properly documented.

6.3 Stakeholders' rights

The board of directors recognizes the importance of the rights of the stakeholders both inside and outside the company.

Shareholder		The company dedicates to operate the business effectively and sustainably for the highest benefits of the shareholders, and by following the Corporate Governance principal.
Employees		The company interacts with each employee with equity and fairness.
Suppliers		The company abides by the contracts with all suppliers.
Creditors		The company practices under borrowing contracts.
Customers		The company provides patient care equally to every patient. The hospital has a customer relations department to seek and act upon the patients' comments and feedback.
Competitors		The company competes with competitors fairly, and avoids unfair tactics to destroy the competitors.
Society / Community		The company acts responsible towards the environment of community and society.

6.4 Shareholders' meetings

At the company's Shareholders Meeting, the important matters are presented to the shareholders for approval. The presentations of the matters are in compliance with laws and regulations prescribed by the SET as well as the company's regulations. The chairman of the meeting ensures equal opportunities for every shareholder to express their opinion on the progress of the company. The shareholders were also encouraged to raise any suggestions to improve the current practice. The significant suggestions and comments were documented as a part of the meeting report.

6.5 Leadership and vision

- The board of directors sets vision, duty, strategy, goal, business plan, and budget for the company. The management, under the monitoring of the board of directors, is responsible for ensuring that everything goes according to plans in order to improve the economic performance of the company, at the same time, provide the highest stability to all shareholders.
- The board of directors sets the internal controlling system and the effective risk management procedure, at the same time, provides constant monitoring for the system in place.
- The board of directors clearly allocates roles and responsibilities among the board, the committees, and the management to work independently from one another.
- The board of directors monitors the committees to give approval to all usual expenses take place in the company with exceptions for those require shareholders' opinion as stated in the guidelines given by The office of Securities and Exchange Commission and the Stock Exchange of Thailand.

6.6 Conflict of interests

The board has provided a strategy and procedure for approving related matters in order to prevent the use of confidential information by the board or the management for their own benefits.

It is required that the management has to report changes in the number of shares they hold to the auditing committees and the Stock Exchange of Thailand as stated in Topic 59 of the statute. It is not permitted for the management or the organization who has acquired the confidential information to reveal such information to any outsiders. Selling shares of the company within one month prior to the publishing of the company financial budget report is also prohibited.

6.7 Business ethics

The company provides code of ethics for all directors and employees. The code is to be followed by all with honesty. The company also follows the code for general practice including the company's penalty procedure.

6.8 Balancing power of Non-Executive Director

The Board of Directors consists of 8 directors of which one third of the total number of the directors are independent directors.

6.9 Aggregation or segregation of positions.

CEO and the Board director are the same person.

6.10 Remuneration for directors and the management

The company set the remuneration of the directors and the management in accordance with the approval from the shareholders' meeting.

6.11 Payment to Financial Auditor

The company sets the payment to auditor of the Sumnakgan Pitisevi in the year 2011 to be 500,000 Baht per year.

6.12 Board of directors' Meetings

The board of directors' meeting is to take place at least 4 times a year, with additional meetings to be called if necessary. Meeting invitations are distributed to the directors at least 7 days prior to the meeting to ensure the sufficient time is given for the directors to study the meeting materials. The minute of each meeting is reported, recorded, and ready to be inspected if required.

6.13 Committees

The company has set 2 groups of committees as follows:

1. The Audit Committee has the duration for position for 2 years, comprised of 3 persons (as stated in the management structure section) and all the Audit Committees are also the company's independent directors.
2. The Remuneration Committee comprised of 3 persons (as stated in the management structure section).

6.14 Internal controlling auditing systems.

The company balances the management roles and authority between the operation level, auditors, and the management level to ensure the cross-checking between one another. The company appoints the internal auditors to investigate on financial system and report directly to the responsible management.

The company has rules and guidelines to ensure that employees work towards the same goals. In addition, the six monthly performance evaluation process is in place to acknowledge the good performance. There is also a regular education and training program to improve technical skills and knowledge of the employees in order to consequently increase their level of efficiency.

6.15 Managing Risks.

The board of the company recognizes risks that can affect the performance of the company, which stated in report on page 5. The board will take responsibility of evaluating the risk.

6.16 Board committee's reporting.

The board of the company is responsible for the company's financial budget which has been done according to the standard accounting guidelines in Thailand. This includes publishing sufficient important information in the explanation accompanying the financial budgeting.

The internal controlling system of the company in general is satisfactory and credible. This is partly shown by the auditing committee's report which can be found in the annual report.

6.17 Relations with investors.

The company discloses important information correctly, timely and transparently according to the guidelines given by the Stock Exchange of Thailand. The company information can be obtained by contacting Miss Saovaluck Mingmongkolsri Tel. 042-241031-3 , or e-mail : admin@wattanahospital.net.

6.18 Internal control of information

The company has a policy on the internal control of information as described in 6.6 Conflict of interests.

6.19 Dividend policy

The company has a policy to pay the dividend at least 50 per cent of the net profit after deducting income tax and legal reserve of the company in case of no unusual events and no significant effect to the company's operations. For dividend payment, the company must consider the company's operating results, liquidity, and business expansion.

The company's dividend payment has to be approved by shareholders and/or the Board of Directors as appropriate.

7. Related Transactions

Opinion of the audit committee Regarding Related Transactions

I, Ass.Prof.Dr.Poonsak Vaisamruat, Chairman of the Audit Committee of Wattana Karnpaet Public Company Limited, had provided his opinion on the transactions between the Company and the 21 Sattawat Vejchakit Company Limited, and the loans from the directors to the Wattana Karnpaet Public Company Limited, as follows:

The company has related transactions with the 21 Sattawat Vejchakit Company Limited where no individual who might cause a conflict of interest have their shares in the mentioned affiliated company more than 10 per cent. The related transactions are the referral of patients, which the prices and conditions are complied to a regular business agreement. Although the Company and the 21 Sattawat Vejchakit Company Limited are both in alike business, the customer groups are of different natures. With the 21 Sattawat Vejchakit Company Limited, the target customers are those who seek medical check up, patients with mild illness, or patients require first aides. These groups of customers come from the close vicinity of the 21 Sattawat Vejchakit Company Limited, which locates in a different province from the Company. The above mentioned referral of patients activities are mostly the 21 Sattawat Vejchakit Company Limited referring the patients to the Company's hospital for further treatments, which exceeding the service scopes of the 21 Sattawat Vejchakit Company Limited.

With the financial assistance offered to the Company by the directors, the agreed interest rates are comparable to that of the market rates with the appropriate conditions. The company has this detail in the Notes to Financial Statements.

7.1 Regulations and Procedures for an Approval of Related Transactions

Related transactions within a regular business activities, the company sets up the prices and conditions with respect to the standard market prices and fair conditions, with the best practice for company's benefits at the prime consideration. The company will report the related transactions' conditions to the Audit Committee to consider its necessity and other reasonable transactions issues as deemed appropriate.

The company conforms with the Securities and Exchange Commission's regulations on related transactions; and conforms with rules and regulations, announcements, or any conditions or obligations of the Stock Exchange of Thailand, including rules on the disclosure of related transactions, acquisition, or the company's asset distribution. To approve the transactions, the relevant Directors or the relevant shareholders are not allowed to vote on such matter.

7.2 Policy or Trend to Make Related Transactions in the Future

The company foresees that there are still related ongoing transactions as a regular business operation with the 21 Sattawat Vejchakit Co.,Ltd. on the patient referral activities because it is of the benefits for the Wattana Karnpaet Public Company Limited. For financial assistance from the directors, the company intends to pay back over a period of time. The company has no policy to have any more of financial assistance from the directors unless necessary, for example, when the company facing with liquidity problems. On such issue, the Directors will act by regulations and procedures for future related transactions as stated above. The company will disclose the related transactions in the audited Note to Financial Statements, with an awareness to comply with the generally accepted accounting principles.

8. Summary of Financial Results and Operation

The company operates a private hospital in Udonthani under the name of "North-Eastern Wattana Hospital"

8.1 Operating Performance

Service Revenue

In 2011, the total income of the hospital was Baht 212.967 million, which decreased from Baht 216.241 million last year, or decreased by 1.51 per cent. The decreased income was due to the discontinue in the contract with the National Health Promotion Scheme (30Baht Scheme). The income that was from this scheme was around Baht 30 million per year. However, the income in 2011 that has been increased from cash patients shows that there was a growth in the cash patient group of the hospital.

Cost of Services and Expenses

In 2011, the cost of services part was Baht 167.830 million, which increased from Baht 157.902 million from last year, or an increase of 6.29 per cent. The increase was due to the new standard of accounting, which implemented the reserve of the Employee benefit obligations. The expenses in 2011 was Baht 37.962 million, decreased from Baht 41.457 million from last year, or decreased 8.43 per cent.

Interest payment

The interest payment in 2011 was Baht 6.381 million; increased from Baht 5.061 million of last year, or a 26.08 per cent increase.

Income tax

In 2011 the company has an income tax of Baht 1.693 million which decreased from Baht 3.818 million in last year.

Net profit

The company's net loss from the operation of Baht 0.898 million, or a net loss of 0.08 Baht per share.

8.2 Financial Position**Capital Structure**

The capital structure of the company can be summarized as follows (in percentage):

Current Assets	8	Current Liabilities	18.2
Non-current Assets	89.5	Long term debts	8.3
Other Assets	2.5	Other non-current Liabilities	3.8
		Shareholders' Equity	69.7
Total Assets	100	Total Liabilities and Shareholders' Equity	100

The company has current liabilities at 18.2 per cent when compared with the total assets. Most of the assets are in the form of fixed assets, which is 89.5 per cent. This is considered normal for this type of industry where there is a requirement for high investment in buildings and medical equipments.

Assets

In 2011, the company's the total assets amount to Baht 402.188 million, decreased from Baht 408.370 million in last year, or a decrease by 1.51 per cent. This consists of the current assets of Baht 31.621 million in 2011, decreased from Baht 34.574 million in 2010, or a 8.54 per cent decrease. The non-current assets in 2011 was Baht 370.567 million, decreased from Baht 373.796 million in last year, or 0.86 per cent.

Liabilities

In 2011, the company the total liabilities of Baht 121.724 million increased from Baht 112.447 million in 2010, or 8.25 per cent. The current liabilities was Baht 73.054 million in 2011, decreased from Baht 73.184 million of last year, or decreased by 0.18 per cent. The non-current liabilities was Baht 48.669 million, increased from Baht 39.264 million in the last year, or an increase of 23.95 per cent.

Shareholders' Equity

In 2011, the company's shareholders' equity was Baht 280.464 million, decreased from Baht 295.923 million in the last year, or decreased by 5.22 per cent.

Cash flow

In 2011, the company has cash flow from operating activities of Baht 22.820 million, which increased from Baht 16.560 million in 2010, or increased by 38.0 per cent. Cash flow used in the investing activity in 2011 is Baht 12.449 million, which the company has purchased medical equipments and instruments in order to serve the customers' needs. Together with the opening of new ward which has 20 new patient rooms and 2 new Operating Rooms. Cash flow used for the financing activity was Baht 2.743 million, which was due to the loan repayment and the dividend payment. Resulting in the company has the net cash and cash equivalent decreased by Baht 0.994 million. Once taking into account the amount of the year beginning balance of Baht 6.186 million, the company has cash balance as at the 31st December, 2011 in the amount of Baht 5.192 million.

WATTANA KARIPAET PUBLIC COMPANY LIMITED
FINANCIAL STATEMENTS

As At December 31, 2011 and 2010

INDEPENDENT AUDITOR'S REPORT

TO SHAREHOLDERS OF
WATTANA KARIPAET PUBLIC COMPANY LIMITED

I have audited the accompanying statements of financial position as at December 31, 2011 and 2010, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended of Wattana Karipaet Public Company Limited. These financial statements are the responsibility of the Company's managements as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wattana Karipaet Public Company Limited as at December 31, 2011 and 2010, and the result of its operation and its cash flow for the years then ended in conformity with generally accepted accounting principles.

As described in Notes 3, 4 and 16 to the financial statements, during the year 2011, the Company have adopted certain revised and newly issued financial accounting standards as announced by the Federation of Accounting Professions which are effective for the preparation of financial statements for the fiscal years beginning on or after January 1, 2011 and as described in Note 4 to the financial statements, the financial statements for the year ended December 31, 2010 have been restated consequent to the adoption of certain revised and newly issued financial accounting standards. I have audited the adjustments applied to restate and in my opinion, such adjustments are appropriate and have been reasonably applied to the financial statements.



(Miss Chaovana Viwatpanachati)

Certified Public Accountant (Thailand) No. 4712

PITISEVI & COMPANY

8/4 Floor 1st,3rd Soi Viphavadee 44

Chatuchak Bangkok

February 25, 2012

WATTANA KARNPAET PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011 AND 2010

		Unit : Baht	
<u>ASSETS</u>	<u>Note</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents	7	5,192,027.61	6,185,875.68
Trade and others receivables - net	6, 8	20,730,161.22	22,536,543.58
Inventories		5,428,827.51	5,458,307.89
Other current assets		270,009.89	393,443.19
Total current assets		31,621,026.23	34,574,170.34
NON - CURRENT ASSETS			
Cash at bank held as collateral	9	7,024,000.00	5,620,000.00
Accounts receivable and long - term loan to related company - net	6	-	-
Property, plant and equipment - net	10	360,129,888.19	363,963,135.99
Intangible assets - net	11	1,151,648.28	1,204,480.76
Other non - current assets		2,261,486.40	3,008,548.40
Total non - current assets		370,567,022.87	373,796,165.15
TOTAL ASSETS		402,188,049.10	408,370,335.49

WATTANA KARIPAET PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION (Cont.)

AS AT DECEMBER 31, 2011 AND 2010

		Unit : Baht	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note	2011	2010
CURRENT LIABILITIES			
Bank overdraft and short - term loan			
from financial institution	12	22,301,961.98	15,590,883.23
Trade and other payables	6, 13	27,630,844.28	29,880,115.34
Current portion of long - term liabilities			
Long - term loans from financial institution	14	6,420,654.84	11,515,200.52
Hire - purchase payable	15	218,681.32	203,484.63
Short - term loans from related persons	6	15,610,000.00	13,000,000.00
Other current liabilities		872,291.06	2,994,036.53
Total current liabilities		73,054,433.48	73,183,720.25
NON - CURRENT LIABILITIES			
Long - term loans from financial institution - net	14	33,579,345.16	38,852,181.06
Hire - purchase payable - net	15	192,878.27	411,559.53
Employee benefit obligations	16	14,897,135.00	-
Total non - current liabilities		48,669,358.43	39,263,740.59
TOTAL LIABILITIES		121,723,791.91	112,447,460.84

WATTANA KARNPAET PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION (Cont.)

AS AT DECEMBER 31, 2011 AND 2010

		Unit : Baht	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Note</u>	<u>2011</u>	<u>2010</u>
SHAREHOLDERS' EQUITY			
Share capital			
Authorized share capital			
Common shares 10,000,000 shares of Baht 10.- each		100,000,000.00	100,000,000.00
Issued and fully paid - up share capital			
Common shares 10,000,000 shares of Baht 10.- each		100,000,000.00	100,000,000.00
Premium on common shares		62,500,000.00	62,500,000.00
Retained earnings			
Appropriated - legal reserves		10,000,000.00	10,000,000.00
Unappropriated		107,964,257.19	123,422,874.65
Total shareholders' equity		280,464,257.19	295,922,874.65
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		402,188,049.10	408,370,335.49

WATTANA KARNPAET PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		Unit : Baht	
	Note	2011	2010
REVENUES			
Revenue from hospital operations	6	210,628,457.13	212,913,351.95
Other income	6	2,338,197.62	3,328,094.72
Total revenues		212,966,654.75	216,241,446.67
EXPENSES			
Cost of hospital operations	6	167,830,059.00	157,901,519.03
Administrative expenses	6	37,961,557.14	41,457,176.08
Total expenses		205,791,616.14	199,358,695.11
Profit (loss) before finance cost and corporate income tax		7,175,038.61	16,882,751.56
Finance cost	6	(6,380,540.59)	(5,060,767.80)
Profit (loss) before corporate income tax		794,498.02	11,821,983.76
Corporate income tax	19	(1,692,918.48)	(3,818,150.38)
Net profit (loss) for the year		(898,420.46)	8,003,833.38
Other comprehensive income (loss)		-	-
Comprehensive income (loss) for the year		(898,420.46)	8,003,833.38
Basic earnings (loss) per share (baht : share)		<u>(0.08)</u>	<u>0.80</u>

WATTANA KARPAET PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Unit : Baht

	Note	Issued and fully paid - up share capital	Premium on common shares	Retained earnings		Total
				Appropriated Legal reserves	Unappropriated	
Balance as at January 1, 2010		100,000,000.00	62,500,000.00	10,000,000.00	117,919,041.27	290,419,041.27
Dividend paid	17.2	-	-	-	(2,500,000.00)	(2,500,000.00)
Comprehensive income (loss) for the year		-	-	-	8,003,833.38	8,003,833.38
Balance as at December 31, 2010		100,000,000.00	62,500,000.00	10,000,000.00	123,422,874.65	295,922,874.65
Balance as at December 31, 2010 (Before adjust)		100,000,000.00	62,500,000.00	10,000,000.00	123,422,874.65	295,922,874.65
Effect from change in accounting policy						
employee benefits	4, 16	-	-	-	(13,060,197.00)	(13,060,197.00)
Ending balance as at January 1, 2011 (After adjust)		100,000,000.00	62,500,000.00	10,000,000.00	110,362,677.65	282,862,677.65
Dividend paid	17.1	-	-	-	(1,500,000.00)	(1,500,000.00)
Comprehensive income (loss) for the year		-	-	-	(898,420.46)	(898,420.46)
Balance as at December 31, 2011		100,000,000.00	62,500,000.00	10,000,000.00	107,964,257.19	280,464,257.19

WATTANA KARNPAET PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		Unit : Baht	
	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) comprehensive before corporate income tax		794,498.02	11,821,983.76
Reconciliation of net profit to net cash provided by (used in) operating activities :			
Depreciation and amortization	10, 11	16,406,343.56	13,704,902.97
Provision for doubtful accounts	8	1,784,906.80	2,859,632.20
Reversal of doubtful accounts	6	(349,281.90)	(332,281.77)
Gain from disposal of fixed assets		(3,317.81)	(99,999.00)
Provision for employee benefits	16	1,836,938.00	-
Written off - withholding tax		747,062.00	598,346.81
Interest earned		(1,090,718.10)	(1,149,269.83)
Interest expenses		5,175,625.73	4,620,503.78
Profit provided by operating activities before changes in operational assets and liabilities		25,302,056.30	32,023,818.92
Decrease (Increase) in operating assets :			
Trade and other receivables		21,475.56	(9,713,569.38)
Inventories		29,480.38	(1,192.24)
Other current assets		123,433.30	(168,752.39)
Other non - current assets		-	(927,413.68)
Increase (Decrease) in operating liabilities :			
Trade and other payables		(2,288,027.27)	(4,252,392.35)
Other current liabilities		(368,428.03)	(400,874.95)
Cash provided by (used in) operating activities		22,819,990.24	16,559,623.93
Interest expenses		(5,113,023.70)	(4,614,325.95)
Corporate income tax		(3,508,837.95)	(1,116,448.93)
Net cash provided by (used in) operating activities		14,198,128.59	10,828,849.05

WATTANA KARIPAET PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (Cont.)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		Unit : Baht	
	Note	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in cash at bank held as collateral		(1,404,000.00)	1,075,072.35
Receipt from accounts receivable and long - term			
loan to related company	6	349,281.90	332,281.77
Cash paid for purchase of fixed assets	10	(12,454,245.47)	(11,456,075.39)
Cash receive form disposal of fixed assets		55,000.00	100,000.00
Cash paid for purchase of Intangible assets	11	(85,600.00)	-
Interest received	6	1,090,718.10	1,149,269.83
Net cash provided by (used in) investing activities		(12,448,845.47)	(8,799,451.44)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in bank overdraft and short - term loan from			
financial institution		6,711,078.75	5,094,697.76
Receipt of short - term loans from related persons	6	3,610,000.00	7,000,000.00
Repayments of short - term loan from related persons	6	(1,000,000.00)	(1,000,000.00)
Receipt of long - term loans from financial institution	14	40,000,000.00	-
Repayments of long - term loans from financial institution	14	(50,367,381.58)	(10,938,571.17)
Repayments of hire - purchase payable		(203,484.57)	(174,151.57)
Dividend paid	17	(1,493,343.79)	(2,486,186.68)
Net cash provided by (used in) financing activities		(2,743,131.19)	(2,504,211.66)
Net decrease in cash and cash equivalents		(993,848.07)	(474,814.05)
Cash and cash equivalents at beginning of the year		6,185,875.68	6,660,689.73
Cash and cash equivalents at end of the year	7	5,192,027.61	6,185,875.68

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION :

1	Non - cash transactions		
	Acquire assets through credit term	10	32,100.00
	Accrued dividend	17	35,122.24
2	Unrealize credit facilities for future working capital		24,698,038.02
			6,005,538.97

WATTANA KARNAET PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

1. GENERAL INFORMATION

The Company was registered under the Civil and Commercial Code on March 15, 1985, and on June 9, 1994, it was registered to be a Limited Public Company. Its office is located at 70/7-8 Suphakitjanya Road, Mhakkang sub-district, Muang Udonthanee district, Udonthanee. The Company's main business activity is operating hospital under the name "North Eastern Wattana Hospital".

In 2011, the Company has discontinued its participation in National Health Security Office.

2. BASIS OF THE FINANCIAL STATEMENT PREPARATION

The statutory financial statements are prepared in Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements have been prepared in accordance with Thai Financial Reporting Standards under the Accounting Act B.E. 2543 (2000) being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547 (2004), including related interpretations and guidelines promulgated by the Federation of Accounting Professions under The Royal Patronage of His Majesty the King ("FAP").

The financial statements have been presented in accordance with Thai Accounting Standards No.1 (Revised 2009) subject: "Presentation of Financial Statements" and the requirements of The Department of Business Development announcement subject "The mandatory items, have to be presented in the financial statements, B.E. 2554" date September 28, 2011 under the Accounting Act B.E. 2543 which is effective for the preparation of financial statements of the public company limited for the accounting period commencing on or after January 1, 2011.

The financial statements are presented in Thai Baht.

The financial statements are prepared on the historical cost basis in measuring the value of the component of financial statements except as described in the following accounting policies.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In current year, the Company has applied revised and newly issued Thai Accounting Standards,

Thai Financial Reporting Standards and Thai Financial Reporting Interpretations Committee as announced by the Federation of Accounting Professions as follows :-

3.1 Adoption of new accounting standards effective in the current year

Thai Accounting Standards

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economics
TAS 31 (revised 2009)	Interests in Joint Venture
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Thai Financial Reporting Standards

TFRS 2	Share - Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non - current Assets Held for Sale and Discontinued Operations

TFRS 6	Exploration for and Evaluation of Mineral Resources
Thai Financial Reporting Interpretations	
TFRIC 15	Agreements for the Construction of Real Estate
Accounting Standard Interpretations	
SIC 31	Revenue - Barter Transactions Involving Advertising Services

The above - mentioned Thai accounting standards, Thai financial reporting standards, Thai financial reporting interpretations committee and Accounting Standard Interpretations do not have any significant impact on the Company's financial statements in this year of initial application except the following accounting standards :

TAS 1 (Revised 2009) states that an entity shall present all items income and expense recognised in a period in a single statement (the statement of comprehensive income) or in two statements (the separate income statement and statement of comprehensive income). In addition, this revised standard requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity makes a retrospective restatement or reclassifies items in the financial statements. For the financial statements of this period, the Company choose to present the statement of financial position only two statements without the statement of financial position as at the beginning comparative period and choose to present all items income and expense recognized in a period in a single statement (the statement of comprehensive income).

TAS 16 (Revised 2009) requires that the cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incur as a consequence of installing the item. Each significant component of property, plant and equipment is required to be separately identified and depreciated if the useful life of each significant component differs from other components. In addition, useful lives and residual values of the property, plant and equipment are required to be reviewed and adjusted, if appropriate, at least annually.

TAS 19 requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently. In the current period, the Company has applied the standard as disclosed in Note 4 and 16 to financial statements.

TAS 24 (Revised 2009) expands the definition of related party to include parties with joint control over the entity, joint venture in which the entity is a venturer and post - employment benefit plan for

the benefit of employees of an entity. This revised accounting standard may affect only to the disclosure of related party information in the notes to interim financial statements.

3.2 The new Thai Accounting Standards announce during the period not yet adopted

During the year, the Federation of Accounting Professions has issued Notification regarding the new Thai Accounting Standards which will become effective for the financial statements for fiscal years beginning on or after January 1, 2013.

Accounting Standard Interpretations

SIC 10	Assistance - No Specific Relation to Operating Activities
SIC 21	Income taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income taxes - Changes in the Tax Status of an Enterprise or its Shareholders

4. EFFECT FROM FIRST TIME ADOPTION OF FINANCIAL REPORTING STANDARD

In the current year, the Company has adopted the new Thai Accounting Standard as follows.-

Employee Benefits

Retirement Employee Benefits (Retirement Benefit Plans)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the Projected Unit Credit Method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

Actuarial gains and losses arising from defined benefit plans recognized in statement of income.

For the first-time adoption of TAS 19, Employee Benefits, the Company chose to recognize past service cost with retained earnings balance as at January 1, 2012 and affected to the financial statement as follows.-

From January 1, 2011, the Company has adopted new and revised accounting standard which has effect on the financial statement as follows :

Adjustment of financial statements

	Unit : Baht
Statement of financial position as at December 31, 2011.	
Retained earnings as at December 31, 2010 as previously reported	123,422,874.65
<u>Less</u> Employee benefits increase	(13,060,197.00)
Retained earnings as at January 1, 2011.	110,362,677.65
	Unit : Baht
Statement of comprehensive income for the year ended December 31, 2011.	
Employee benefit increase	1,836,938.00
Earnings per share - decrease (Baht)	-

5.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue

The revenues from hospital activities mostly consist of revenue from patients treatment service, patient rooms, medicines and other revenues and recognized as revenues when sales of medicines or treatment service is already performed.

Services income of medical care received from the Office of Social Security are calculated at the average rate per person on accrual basis, the average rate is set by the Office of Social Security.

Services income of medical care under public health insurance are calculated at the fixed average rate on accrual basis. The rate is set by the Ministry of Health.

Other revenue and expense are accounted for on accrual basis.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at bank in time deposits with an original maturity of three months or less and are not subject to restriction.

Cash at bank that have restricted in use are presented separately as "deposits at bank held on collateral" under non-current assets in the financial position.

5.3 Trade accounts and allowance for doubtful accounts

Trade accounts are stated at the invoiced value, after provision for doubtful accounts.

The Company provide allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection determined from debt collection experience, ageing analysis and

the current financial situation of debtors.

5.4 Inventory valuation

The Company valued the medical and supplies at the lower cost or net realizable value.

Cost is calculated by first in - first out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

5.5 Property, plant and equipment

Land are stated at cost less provision for impairment of assets (if any).

Plant and equipment are stated at cost net from accumulated depreciation and provision for impairment of assets (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Expenditure for additions, renewals and betterment are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

The Company depreciate their plants and equipment, after deducting residual value by the straight-line method over the estimated useful lives of the assets as follows :

	<u>useful life (years)</u>
Building and construction	20
Tool and medical equipment	10
Furniture, fixture and office equipment	3 - 10
Tools	5 - 10
Vehicles	5 - 10

The Company no depreciation is provided for land and assets in progress

The Company records depreciation as expense for the year. When property, plant or equipment are disposed, the Company will write - off both the asset account and its related accumulated depreciation, and will recognize any gain or loss from disposal of the asset in the statement of comprehensive income.

5.6 Intangible asset and amortization

The Company's intangible assets comprise computer software presented at cost less accumulated amortization. The amortization is calculated by the straight-line method over the period expected to receive its economic benefit which is estimated by the management for 10 years.

5.7 Impairment of assets

The Company reviews impairment loss on property, plant, equipment, and intangible asset, whenever circumstances indicate that the recoverable amount of assets is lower than the carrying amount. The recoverable amount is the higher of an asset's selling price or its value in use. Recoverable amount is determined on individual assets or for a cash-generating unit.

In case that the book value of an asset exceeds its net realizable value, the Company and its subsidiary will recognize loss from impairment in the statements of comprehensive income in the realized period, the Company will reverse loss from impairment whenever there is an indication that there is no longer impairment or reduction in impairment by recording in the statement of comprehensive income for the year.

5.8 Employee benefit obligations

The Company recognize salary, wages, bonuses and contributions to the social security fund and provident fund are recognized as expenses when incurred.

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of income as incurred.

The retirement benefit is a defined benefit plan that an employee will receive on retirement according to Thai Labor Law depending on age and years of service.

The liability of retirement benefit is recognized in the statement of financial position using the present value of the obligation at the balance sheet date and past service costs. The retirement benefit is calculated annually by an independent actuary using the projected unit credit method. The present value of the benefit obligations is determined by discounting the estimated future cash outflows using interest rates of referred government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statements of income.

5.9 Provision

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow

of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.10 Corporated income tax

Income tax expenses are based on tax paid and accrued for the year which are calculated from net profit after adjustment of non taxable items, revenue and expense, in accordance with the Revenue Codes.

5.11 Basic earnings (loss) per share

Basic earnings per share is calculated by dividing the net profit income for the year by the number of issued and paid-up shares during the year.

5.12 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents investments, receivables, loan receivable and financial liabilities carried on the statement of financial position include creditor payable and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.13 Significant accounting judgments and estimates

The preparation of financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

5.13.1 Allowance for doubtful accounts.

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

5.13.2 Impairment of property plant and equipment

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 judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.13.3 Provision for employee benefit

In providing retirement employee benefit, the management is required to use judgment to determine the probability that its employee will work until retired by considering the past information which will be revised annually. The assumptions applied in the annual calculation are based on cost of service in the past and terms of employment benefit.

6. TRANSACTIONS WITH RELATED PERSONS AND PARTIES

The Company have transactions with related persons and parties. A portion of the Company's assets, liabilities, revenues and expenses represent transactions occurred with related persons and parties. These related persons and company and partnership are related through common directorships as the following.-

	Relationship	Operation	
		Type of Business	Location
Related companies and parties			
21 Sattawat Vejchakit Co.,Ltd.	1	Hospital	Thailand
		Trading of medical	
B. Medical Partnership Trading	4	and	Thailand
		mobileservice in	
		x-ray lab	
Related persons			
Directors (4 persons)	2	-	-
Related persons	3	-	-

The nature of relationship between the Company and its related persons and parties are as follows:

1. Having common directors
2. Executive directors and shareholders with two directors are a major shareholder
3. Shareholder and management
4. Having certain shareholders in common

Significant transactions between the Company, related persons and parties in the statements of financial position as at December 31, 2011 and 2010 were as follows;-

		Unit : Baht	
		2011	2010
Trade and other receivables			
Other receivables			
Related parties			
21 Sattawat Vejchakit Co.,Ltd.			
Advance payable		5,222,552.42	6,257,929.64
Related persons			
Accrued rental income		96,000.00	111,000.00
Other assets		28,832.29	12,330.82
Total other assets		5,347,384.71	6,381,260.46

The above - mentioned advances payable to related parties were derived from medicines, medical supplies, doctor fee and patient - transfer service.

Accounts receivable and long - term loan to related company - net

		Unit : Baht			
		Balance as at	Movement during the year		Balance as at
		2010	Additional	Receipt	2011
<hr/>					
21 Sattawat Vejchakit					
Co.,Ltd.					
Accounts receivable and					
loan to					
		21,976,168.33	-	(349,281.90)	21,626,886.43
<u>Less</u>	Allowance for				
	doubtful debt	(21,976,168.33)	-	349,281.90	(21,626,886.43)
<hr/>					
	Net	-	-	-	-
<hr/>					

The above - mentioned loan was charged interest at the rate of 5% per annum which the repayment of principle and interest was on monthly installment basis totalling 240 installments. The first installment was commenced in January 2008 ;

<u>Installment</u>		<u>Unit : Bant</u>
1 - 59	@	120,000.00
60 - 119	@	150,000.00
120 - 240	@	180,000.00

Short - term loans from related persons

	Unit : Baht			
	Balance as at	Movement during the year		Balance as at
	2010	Receipt loan	Repayment	2011
Loan from directors	7,500,000.00	10,000.00	(1,000,000.00)	6,510,000.00
Loan from shareholders				
and management	5,500,000.00	3,600,000.00	-	9,100,000.00
Total short - term loans from				
related persons	13,000,000.00	3,610,000.00	(1,000,000.00)	15,610,000.00

As at December 31, 2011 and 2010, The Company had unsecured short - term loans from four related persons by issuing promissory notes which were charged interest at the rates of 5.80% - 7.25% per annum and 5.50% - 6.50% per annum respectively. Such loans are due within 1 year from the issuance dates of promissory notes.

	Unit : Baht	
	2011	2010
Trade and other payables		
Related parties		
21 Sattawat Vejchakit Co.,Ltd.		
Advance receivable	879,887.76	828,644.91
Related persons		
Accrued doctor fees	933,577.00	785,456.00
Accrued salary expenses	576,912.00	468,076.00
Accrued bonus expenses	30,000.00	3,800,000.00
Accrued interest expenses	89,178.07	46,531.49
Total accrued expenses	2,509,554.83	5,928,708.40

The above - mentioned advances receivable from related parties were derived from medicines, medical supplies, doctor fee and patient - transfer service.

Significant transactions between the Company and related persons and parties in the statement of comprehensive income for the periods ended December 31, 2011 and 2010 are as follows :-

The above - mentioned advances receivable from related parties were derived from medicines, medical supplies, doctor fee and patient - transfer service.

Significant transactions between the Company and related persons and parties in the statement of comprehensive income for the periods ended December 31, 2011 and 2010 are as follows :-

		Unit : Baht	
	Pricing policies	2011	2010
Related company			
21 Sattawat Vejchakit Co.,Ltd.			
Revenue from hospital operations	Market price	7,731,784.89	6,116,283.85
Other incomes			
Interest income	5.00% per annum	1,090,718.10	1,107,718.23
Medicine supplying fees	Market price	120,000.00	120,000.00
Gain from disposal of fixed assets	Market price	3,317.81	-
Cost of hospital operations and			
Purchase of medicines and medical			
supplies and cost of services	Cost price	2,021,374.70	1,603,684.69
Other services income	The contract rate	290,300.00	249,691.20
B. Medical Partnership Trading			
Revenue from hospital operations	Cost price	725,582.09	-
		Unit : Baht	
	Pricing policies	2011	2010
Related persons			
Revenue from hospital operations	Market price	22,350.48	8,610.08
Gain from disposal of fixed			
assets	Market price	-	99,999.00
Other incomes	The contract rate	276,000.00	276,000.00
Cost of hospital operations	The same rate as		

Doctor fees	those paid for		
	non-related person	8,339,815.00	7,506,620.00
Patient's food expenses	Market price	3,081,397.00	3,478,114.00
Other services income	Cost price	801,775.00	1,143,316.00
Administrative expenses	The contract rate	966,000.00	946,200.00
Finance cost	5.80% - 7.25%		
	per annum	913,767.05	452,690.17

Management benefit expenses

Short - term benefits	6,675,400.00	9,056,000.00
Post employment benefits	1,008,355.96	-
Total management benefit expenses	7,683,755.96	9,056,000.00

The Company had paid remuneration to their directors and executive including salaries, bonuses, other benefits meeting and retirement benefit allowances to their directors and executives.

7. CASH AND CASH EQUIVALENTS

As at December 31, 2011 and 2010 cash and cash equivalents consist of:-

	Unit : Baht	
	2011	2010
Cash in hand	369,754.00	354,010.00
Cash at bank - current account	15,581.70	16,326.04
- saving account	4,806,691.91	5,815,539.64
Total	5,192,027.61	6,185,875.68

8. TRADE AND OTHER RECEIVABLE - NET

As at December 31, 2011 and 2010 trade and other receivables - net consist of:-

	Unit : Baht	
	2011	2010
Trade receivables		

Contract receivable	17,687,375.60	18,714,044.56
Accounts and employees receivable	4,200,938.96	3,637,258.46
Accrued income and notes receivable	1,710,392.05	922,497.75
Total trade receivables	23,598,706.61	23,273,800.77
Other receivables		
Prepaid expenses	720,049.90	584,290.34
Advance payable - related company	5,222,552.42	6,257,929.64
- other companies	1,066,003.00	215,657.00
Accrued rental income - related company	96,000.00	111,000.00
- other companies	-	6,000.00
Other receivables - other companies	28,832.29	304,942.03
Total other receivables	7,133,437.61	7,479,819.01
Total trade and other receivables	30,732,144.22	30,753,619.78
<u>Less</u> Allowance for doubtful debt	(10,001,983.00)	(8,217,076.20)
Net	20,730,161.22	22,536,543.58

As at December 31, 2011 and 2010 the outstanding balance of accounts receivable - net aged by number of months as follows:

	Unit : Baht	
	2011	2010
Less than or equal 3 months	11,346,705.71	9,236,868.57
Over 3 months to 6 months	1,601,757.40	3,473,583.00
Over 6 months to 12 months	1,203,727.50	2,650,145.00
Over 12 months	9,446,516.00	7,913,204.20
Total	23,598,706.61	23,273,800.77
<u>Less</u> Allowance for doubtful debt	(10,001,983.00)	(8,217,076.20)
Net	13,596,723.61	15,056,724.57

As at December 31, 2011 and 2010 the movement of allowance for doubtful accounts are as follows:

		Unit : Baht	
		2011	2010
Beginning balance		8,217,076.20	5,357,444.00
<u>Add</u>	during the year	1,784,906.80	2,859,632.20
Ending balance		10,001,983.00	8,217,076.20

9. CASH AT BANK HELD AS COLLATERAL

As at December 31, 2011 and 2010 Cash at bank held as collateral consist of:-

		Unit : Baht	
Type of deposit	Credit facilities	2011	2010
Fix account - one year	The utilization of electricity	752,537.11	746,658.53
Saving account	Bank overdraft	4,867,462.89	4,873,341.47
Saving account	Letter of guarantee	1,404,000.00	-
Total		7,024,000.00	5,620,000.00

10. PROPERTY, PLANT AND EQUIPMENT - NET

As at December 31, 2011 and 2010 Property, plant and equipment - net consist of:-

		Unit : Baht							
		Land	Building and construction	Tool and medical equipment	Furniture,fixture and office equipment	Tools	Vehicles	Assets in progress	Total
Cost									
As at December 31, 2010		59,454,742.60	139,645,450.34	59,279,161.77	34,327,442.04	10,956,501.01	13,500,477.58	188,493,792.23	505,657,567.57
<u>Add</u>	Purchase during the year	100,000.00	-	5,039,095.50	2,176,282.67	289,941.00	-	4,881,026.30	12,486,345.47
	Transfer in (out) during the year	-	61,382,991.55	-	302,333.00	-	-	(61,685,324.55)	-
<u>Less</u>	Disposal during the year	-	-	(72,000.00)	-	-	-	-	(72,000.00)
As at December 31, 2011		59,554,742.60	201,028,441.89	64,246,257.27	36,806,057.71	11,246,442.01	13,500,477.58	131,689,493.98	518,071,913.04
Accumulated depreciation									
As at December 31, 2010		-	60,233,537.26	38,237,059.90	25,872,143.61	7,194,365.63	10,157,325.18	-	141,694,431.58
<u>Add</u>	Depreciation for the year	-	8,568,337.89	3,504,574.26	2,422,542.94	893,205.99	879,250.00	-	16,267,911.08
<u>Less</u>	Disposal during the year	-	-	(20,317.81)	-	-	-	-	(20,317.81)
As at December 31, 2011		-	68,801,875.15	41,721,316.35	28,294,686.55	8,087,571.62	11,036,575.18	-	157,942,024.85
Net book value									
As at December 31, 2010		59,454,742.60	79,411,913.08	21,042,101.87	8,455,298.43	3,762,135.38	3,343,152.40	188,493,792.23	363,963,135.99
As at December 31, 2011		59,554,742.60	132,226,566.74	22,524,940.92	8,511,371.16	3,158,870.39	2,463,902.40	131,689,493.98	360,129,888.19

Depreciation for the year ended in the statements of profit and loss

	Cost of services	Services and Administrative expenses	Total
2010	11,036,666.54	2,531,187.62	13,567,854.16
2011	13,621,572.67	2,646,338.41	16,267,911.08

The Company mortgaged part of land and building with a local commercial bank as collateral to secure its loans as described in Note 12 and 14

As at December 31, 2011 and 2010 Certain vehicle were under hire-purchase agreements at cost amounting to Baht 1.46 million and at net book value amounting to Baht 0.86 million and Baht 1.15 million respectively (See Note 15 to the financial statements).

As at December 31, 2011 and 2010, the Company had fully depreciated fixed assets but still in active use at the cost value totalling Baht 95.17 million and Baht 92.58 million respectively.

11. INTANGIBLE ASSET - NET

As at December 31, 2011 and 2010 Intangible asset - net, consist of:-

	Unit : Baht	
	2011	2010
Computer program		
Net book value as at January 1, 2011	1,204,480.76	1,341,529.57
Acquisitions during year	85,600.00	-
Amortization for the year	(138,432.48)	(137,048.81)
Net book value as at December 31, 2011	1,151,648.28	1,204,480.76

12. BANK OVERDRAFT AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTION

As at December 31, 2011 and 2010 bank overdraft and short - term loan from financial institution consist of:-

	Interest rate (Per annum)		Unit : Baht	
	2011	2010	2011	2010
Bank overdraft	MOR	MOR	22,301,961.98	10,590,883.23
Promissory note	MLR	MLR	-	5,000,000.00
Total			22,301,961.98	15,590,883.23

As at December 31, 2011 and 2010, the Company had overdraft credit lines of Baht 25 million and Baht 15 million respectively from two local commercial banks. The loans were secured by pledging its saving account and fixed deposit account amounting to Baht 5 million and other common collateral with long - term loans from financial institution as described in Note 14 to financial statements.

13. TRADE AND OTHER PAYABLES

As at December 31, 2011 and 2010 trade and other payable consist of:-

	Unit : Baht	
	2011	2010
Trade payables	13,429,511.11	10,988,483.63
Other payables	676,937.84	3,471,081.68

Accrued expenses	13,524,395.33	15,420,550.03
Total	27,630,844.28	29,880,115.34

13. LONG - TERM LOANS FROM FINANCIAL INSTITUTION - NET

As at December 31, 2011 and 2010 long - term loans from financial institution - net consist of:-

		Unit : Baht	
		2011	2010
Long - term loans beginning balance		50,367,381.58	61,305,952.75
<u>Add</u>	Receipt during the year	40,000,000.00	-
<u>Less</u>	Repayments during the year	(50,367,381.58)	(10,938,571.17)
Total		40,000,000.00	50,367,381.58
<u>Less</u>	Portion due within one year	(6,420,654.84)	(11,515,200.52)
Net		33,579,345.16	38,852,181.06

As at December 31, 2011 and 2010, the Company entered into loan agreements and collateral with a commercial bank for a total credit facility, consist of:-

		Unit : Million Baht	
		2011	2010
Long - term loan		57	85
Overdraft loan		20	10
Guarantee		<u>5</u>	<u>5</u>
Total		<u>82</u>	<u>100</u>

As at December 31, 2010 the long - term loans as follows :-

1. Long - term loan of Baht 70 million for the repayment of another loan which shall be repaid with interest in 96 monthly installments at Baht 960,000.-. The loan was charged with, an interest at MLR per annum, with the final installment due in year 2016. The Company has fully utilized the loan amount.

2. Long - term loan for the expansion of patient room on 7 th floor of the new building and purchase of new medical equipment amounting to Baht 15 million with a repayment term of 96 monthly, installments; with month 13 - 96 monthly installment of Baht 230,000. The loan shall be charged with an interest at MLR per annum with the final installment due in year 2016. The Company had

utilized the loan amounting to Baht 9.04 million.

The above - mentioned long - term loan facilities were secured by mortgaging certain part of the Company's land, building, a director's land and building and personal guarantee by 2 directors for Baht 85 million.

Later, in December 31, 2011, the Company entered into another loan agreement with another commercial bank as follows:-

1. Long - term loan of Baht 40 million for the repayment of another loan which has been fully utilized at the agreement date.

2. The Company has released the mortgage of the securities and guarantees from the other financial institution and pledged with a new financial institution by mortgage certain parts of its land and building and personal guarantee by 2 directors.

The Company shall comply with the conditions stipulated in the loan agreement including the following rules and limitations:

1. The Company must not have capital deficiency during its loan term and if any, the Company shall increase its registered capital with fully paid.
2. The Company shall perform its loans from bank prior the repayment of loan from director.
3. The Company shall maintain its financial ratios as follows:
 - 3.1 Debt to Equity ratio shall not exceed 2 times.
 - 3.2 DSCR ratio shall not less than 2 times.

15. HIRE - PURCHASE PAYABLE - NET

As at December 31, 2011 and 2010 Hire - purchase payable - net, consisting of:-

	Unit : Baht	
	2011	2010
Hire - purchase payable	443,828.00	685,916.00
<u>Less</u> Deferred interest - net	(32,268.41)	(70,871.84)
Present value of minimum amount payment		
by lease agreement	411,559.59	615,044.16
<u>Less</u> Current portion of long - term liabilities	(218,681.32)	(203,484.63)
Net	192,878.27	411,559.53

Present value of minimum amount payment by lease agreement		
Less than 1 year	218,681.32	203,484.63
Over 1 year not over 5 year	192,878.27	411,559.53
Total	411,559.59	615,044.16

16. EMPLOYEE BENEFIT OBLIGATIONS

In 2011, the Company has adopted TAS 19 Employee Benefits which is effective from January 1, 2011.

The Company had obligation in respect of post employment benefit as at January 1, 2011 (past service cost) amounting to Baht 13,060,197 which the Company recognised pass service cost with retained earnings balance as at January 1, 2011.

Post employment benefit obligation recognised as liability as at December 31, 2011 consist of :

	Unit : Baht
Service costs in the past as at January 1, 2011	13,060,197.00
Employee benefit expenses for the year	1,836,938.00
Employee benefit obligations as at December 31, 2011	14,897,135.00

Principal actuarial assumptions at the reporting date

	(%)
Discount rate	4.00
* Employee turnover rate	0.00 - 20.00
** Mortality rate	60.00 of TMO97
* Upon the length of service	
** Reference from TMO97: Thai Mortality Ordinary Table 1997	

17. DIVIDEND PAID

17.1 On April 19, 2011, the annual shareholders' meeting of 2011 resolved to pay dividend from retained earnings of 2010 at Baht 0.15 per share, totalling Baht 1.50 million, which was to be paid on May 19, 2011.

17.2 On April 22, 2010, the annual shareholders' meeting of 2010 resolved to pay dividend from retained earnings of 2009 at Baht 0.25 per share, totalling Baht 2.50 million, which was to be paid on May 21, 2010.

18. EXPENSES BY NATURE

Significant expenses classified by nature for the years ended December 31, 2011 and 2010 consist of:-

	Unit : Baht	
	2011	2010
Employee expenses	96,919,908.54	94,995,200.10
Management benefit expenses	7,683,755.96	9,056,000.00
Medicines and medical supplies	32,305,758.18	33,816,641.42
Artificial kidney department expenses	15,367,834.45	10,352,231.68
Depreciation and amortization expenses	16,406,343.56	13,704,902.97

19. CORPORATE INCOME TAX

In 2011, the Company calculated its tax at the rate of 30% from the net profit after adjustment for non taxable expenses and reserves in accordance with the Revenue Code.

In accordance with Royal Decree No. 475 (B.E. 2551) dated August 6, 2008, it determined the grant of a reduction of the corporate income tax rate from 30% to 25% for the portion of the net profit not more than Baht 300 million for three consecutive accounting periods commencing from the accounting period begin on or after January 1, 2008. Therefore, the Company calculated its tax at the rate of 25% of net profit adjusted with items stipulated in the Revenue Codes for the accounting year commencing from 2008 to 2010.

20. PRESENTATION OF SEGMENT FINANCIAL INFORMATION

The Company have engaged in hospital and medical trading business which the Management considers as an integrated and complementary line of services. As a result, the Management determines that the said operations are in the same industry segments. Moreover, in terms of operating locations, the Management also determines that the Company have only one geographical segment since they operate solely in Thailand. Accordingly, the Company revenues, net income and assets as shown in the interim financial statements are consequently associated with the same industry and geographical segments.

21. DISCLOSURES OF FINANCIAL INSTRUMENTS

The Company complied with the Thai Accounting Standard No.107 "Presentations and Disclosure of Financial Instruments" as a guidance to disclose about the financial instruments as follows :

21.1 Accounting policies

The related accounting policies were disclosed in Note 5.12

The Company did not speculate or engage in the trading of any derivative financial instrument.

21.2 Credit risk

Credit risk is the risk that a counterparty is unable or unwilling to meet a commitment that they entered into with the Company. This risk is controlled by consistent analysis of debtors' financial status.

The Management believe that the credit risk will not be in excess of the provided allowance for doubtful debt.

For the financial assets, the maximum credit risk exposure is the book value of accounts and loans receivables, net of allowance for doubtful accounts, as presented in the financial position.

21.3 Interest rate risk

The interest rate risk is generally the risk that future movements in market interest rates will affect the results of the Company due to changes in market interest rates, operations and its cash flows. The Company exposure to interest rate risk relates primarily to its deposits in financial institution, bank overdrafts and loans from financial institutions and loans from related persons which their interest rates are fluctuated.

As at December 31, 2011 and 2010 financial assets and financial liabilities of the Company had interest rate risk as follows:

	As at December 31, 2011 (Unit : Baht)						
	Fixed interest rates			Floating	Non-		Interest
	within	1 - 5	Over	interest	interest	Total	rate
	1 year	years	5 years	rate	bearing		(% p.a.)
Financial assets							
Cash and cash equivalents	-	-	-	4,806,692	385,336	5,192,028	0.50 - 1.00
Cash at bank held as collateral	752,537	-	-	6,271,463	-	7,024,000	0.50 - 2.10
Financial liabilities							
Bank overdraft and short-term loan							MOR,MLR (6.875 - 7.250)
from financial institution	-	-	-	22,301,962	-	22,301,962	
Short-term loans from related persons	15,610,000	-	-	-	-	15,610,000	5.80 - 7.25
Long-term loan from financial institution	-	-	-	40,000,000	-	40,000,000	MLR (7.25)
Hire-purchase payable	218,681	192,878	-	-	-	411,559	4.00

	As at December 31, 2010 (Unit : Baht)						
	Fixed interest rates			Floating	Non-		Interest
	within	1 - 5	Over	interest	interest	Total	rate
	1 year	years	5 years	rate	bearing		(% p.a.)
Financial assets							
Cash and cash equivalents	-	-	-	5,815,540	370,336	6,185,876	0.50
Cash at bank held as collateral	746,659	-	-	4,873,341	-	5,620,000	1.50
Financial liabilities							
Bank overdraft and short-term loan							MOR,MLR
from financial institution	-	-	-	15,590,883	-	15,590,883	(6.375 - 6.400)
Short-term loans from related persons	13,000,000	-	-	-	-	13,000,000	5.80 - 6.50
Long-term loan from financial institution	-	-	-	50,367,382	-	50,367,382	MLR (5.875 - 6.125)
Hire-purchase payable	203,485	411,560	-	-	-	615,045	4.00

21.4 Fair values

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 instruments.

22. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2011 and 2010, the Company had commitments and were in possession of contingent liabilities as follows:-

22.1 Letters of guarantees issued by banks as follows :-

- Guarantee its medical services and usage of facilities with several government agents totalling Baht 1.40 million and Baht 3.40 million respectively. The Company has pledged cash at bank as described in Note 9 to financial statement and has the same securities as long - term loan from financial institution as described in Note 14 to financial statement.
- Guarantee the utilization of electricity with Metropolitan Electricity Authority and radio and signal usage agreement with Udon Thani Telecommunications Service Office. The Company has pledged

cash at bank as described in Note 9 to financial statement

22.2 As at December 31, 2010 The Company was in possession of commitment regarding system installation agreements with future payment Baht 0.67 million.

22.3 The Company has entered into operating lease agreements as follows :-

Description	Agreement ended	Annual rental fee
		(Unit : Baht)
Land rental lease with to car parking and wash a building	2011 - 2013	252,584.00
Land rental lease with a lodging welfare	2011 - 2012	880,000.00
Office in Laos rental agreement	2014	225,411.84
Car rental agreement for employee welfare	2015	1,498,514.40

The annual rental for the above - mentioned contracts are as follows :-

	(Unit : Baht)	
	2011	2010
Less than 1 year	2,152,260.24	1,841,647.76
Over 1 year not over 5 year	4,560,367.48	6,102,138.22

23. CAPITAL MANAGEMENT

The major primary objectives of the Company's capital management are to maintain their ability to continue as a going concern and to maintain an appropriate capital structure.

As at December 31, 2011 and 2010 debt-to-equity ratio in the interim financial statements was 0.43 : 1 and 0.38 : 1 respectively.

24. RECLASSIFICATION OF ACCOUNTS

The Company have reclassified certain accounts in the statement of financial position as at December 31, 2010 for comparative purposes to conform to the presentation in the 2011 financial statements. These reclassifications have consequent to the adoption of new and revised TFRS as disclosed in Note 3 to the financial statements and reclassified certain accounts in the statement of comprehensive income for the year ended December 31, 2010 to conform with the presentation in the statement of comprehensive income for the year ended December 31, 2011.

The significant reclassifications are as follows :

	Unit : Baht		
	Reclassified	Increase (Decrease)	Previously reported
<u>Statement of financial position</u>			
Trade account and notes receivable - net	-	(15,056,724.57)	15,056,724.57
Trade and other receivables	22,536,543.58	22,536,543.58	-
Accrued medical service fees for the Universal Health Coverage Scheme	-	(292,611.21)	292,611.21
Other current assets	393,443.19	(7,187,207.80)	7,580,650.99
Trade account and notes payable	-	(10,988,483.63)	10,988,483.63
Trade and other payables	29,880,115.34	29,880,115.34	-
Accrued expenses	-	(15,420,550.03)	15,420,550.03
Other current liabilities	2,994,036.53	(3,471,081.68)	6,465,118.21
<u>Statement of comprehensive income</u>			
Cost of hospital operations	157,901,519.03	7,632,957.00	150,268,562.03
Administrative expenses	41,457,176.08	9,055,500.00	32,401,676.08
Management benefit expenses	-	(16,688,457.00)	16,688,457.00

25.AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on
February 25, 2012.

MAP

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