



บริษัท วัฒนากาารแพทย์ จำกัด (มหาชน)

WATTANA KARNPAET PUBLIC COMPANY LIMITED



Annual Report 2016

แบบ 56-2

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**Letter from the chairman of the board,**



Dear Shareholders,

Year 2015 had been a year of quality system development for North Eastern Wattana Hospital, both in the aspects of knowledge and services. For example, we had been accredited with HA (Hospital Accreditation), or in other words, we had been lifted our standards of patient care to the international level. At the same time, our hospital had been preparing for the expansion of the AEC or Asian Economic Community into the Northern part of E-San. This brought with it the benefits for healthcare business in the near future.

As for Year 2016 that just passed, our hospital had exited the Social Security Healthcare Scheme. This was to prepare for the increasing number of patients from the AEC. It was common that for a hospital exiting the Social Security Healthcare Scheme to experience a loss for at least three years before gaining a net profit. However, in our case, in the previous year we managed to make a profit. The management team focused in the key three areas; 1) Building a healthcare network with other private hospitals in nearby cities, Bangkok and Vientiane, Laos PDR., 2) Leading quality of life for both healthcare personnel and patients, and 3) Modernizing of the hospital by renovating facilities, having more specialties, upgrading technology and equipment. These all done, in order to be a leading private hospital in the Northern E-San and be a part of helping Thailand to become Medical Hub.

The three key focuses mentioned above need to be continuously pursued, in order to success. All our efforts cannot be achieved without your supports. Lastly, I would like to express my gratitude to all of you for your continuing support.

Sincerely Yours

A handwritten signature in blue ink, appearing to read 'P. Tangsubkul', with a horizontal line underneath.

(Ass. Prof. 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. Poonsakdi 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 2016, the Audit Committee has met four 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 2016 and proposed to the Board of Directors to appoint Ms.Chaovana Viwatpanachati, Ms.Wanpen Unruan and Ms.Porntip Amornchailertpattana , license numbers 4712, 7750 and 9589 respectively, of Office of Pitisevi Co., Ltd. as the company's auditor.

We hereby confirm having audited the financial report of company, year 2016 and fully accepted it.

Sincerely Yours



( Ass.Prof.Dr.Phoonsakdi 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. Ordinary share of 10,000,000 shares at 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  
Miss Chaovana Viwatpanachat , Miss Wanpen Unruan and Ms.Porntip  
Amornchailertpattana , Office of Pitisevi Co., Ltd.  
8/4 Floor 1<sup>st</sup> ,3<sup>rd</sup> Soi Viphavadee 44 (Soi AMornphan 4), Viphavadee-Rangsit Rd.,  
Ladyao, Chatuchak, Bangkok 10900  
Telephone : 0-2941-3584-6 Fax : 0-2941-3658
- (c) Legal Counselor  
Mr. Wiboon Assawareungchai  
License Number 872/2533  
87 Thahan Road, Makkheng Sub-district, Muang District,  
Udonthani 41000  
Telephone : 081-601-7734

## 2. The Summary of Financial data of Company

### The Summary of Financial data of Company

(Unit : Thousand baht)

	2016	2015	2014
Asset at year date			
Total Assets	454,442	467,431	452,130
Total Liabilities	129,677	148,555	142,758
Shareholders' Equity	324,765	318,876	309,372
Operating performance January - December			
Service Revenues	294,217	317,268	285,176
Total Revenues	303,553	325,385	289,847
Cost of services and expenses	216,118	239,140	268,771
Profit before finance cost and corporate income tax	18,423	21,426	21,076
Interest Expense	3,916	3,811	6,737
Profit before corporate income tax	14,507	17,615	14,340
Net Profit (Loss)	10,890	13,003	11,097
Per share data (Baht)			
Earning (Loss) per share	1.09	1.30	1.11
Weighted Shares (000' shares)	10,000	10,000	10,000
Book value per share	32.48	31.89	30.94
Financial Ratio			
Current Ratio	1.10	1.05	1.05
Gross Profit Margin (%)	29.72	27.18	26.58
Net Profit Margin (%)	3.59	4.00	3.83
Return on Asset (%)	2.36	2.83	2.53
Return on Equity (%)	3.38	4.14	3.63
Debts to Equity Ratio	0.40	0.47	0.46
Growth Rate – Increase (Decrease)			
Total Assets (%)	-2.78	3.38	5.97
Total Liabilities (%)	-12.71	4.06	15.32
Service Revenues (%)	-7.27	11.25	7.65
Net Profit (%)	-16.25	17.18	1.98

### 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 and Inpatient Department.

#### 3.2 Income Structure

Income structure by types of patients

Income by types of patient (million Baht)	2016	%	2015	%	2014	%
Out-patient	130.93	43.1%	127.71	39.6%	110.93	39%
In-patient	160.96	53.0%	131.65	42.1%	120.44	42%
Social security patient	2.26	0.8%	57.90	17.7%	53.82	18%
Other incomes	9.40	3.1%	8.12	0.6%	4.67	1%
Total	303.55		325.39		289.85	

#### Income structure by services

Types of Services	2016		2015		2014	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
(1) Income from the hospital's operations	294,217	96.92	317,268	97.51	285,176	98.39
- Medicines and medical supplies	91,934	30.29	94,138	28.93	76,564	26.42
- Doctor fees	60,353	19.88	61,613	18.94	63,214	21.81
- Room charges	24,591	8.10	25,189	7.74	25,534	8.81
- Investigation and treatment	103,620	34.14	120,502	37.03	105,743	36.48
- Other hospital related incomes	13,719	4.52	15,825	4.86	14,121	4.87
(2) Other incomes	9,336	3.08	8,117	2.49	4,670	1.61
- Interest received	1,041	0.34	1,056	0.32	1,075	0.37
- Other incomes	8,295	2.73	7,061	2.17	3,595	1.24
Total income	303,553	100.0	325,385	100.0	289,847	100.0
Percentage increase (decrease) in total income	-	-6.71	-	12.26	-	7.88

#### 3.3 Major events in the year

1. Opened special clinic: Child Hormone (Endocrine) Clinic
2. Opened a new ward
3. Build networked hospitals with both higher Tertiary Care and Primary-Secondary Care hospitals to ensure patient safety and increase the confidence of customers.

#### 3.4 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 30 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

The market and competition of private hospitals in the Company's area consist of 3 private competing hospitals. They are Bangkok Udon Hospital (100 bed sized), Aek Udon Hospital (100 bed sized), and Khonkaen Ram Hospital (200 bed sized). The market segments are clearly marked among the competitors. All the private hospitals in Udonthani, except the Company, aim for the high income based customers. Whereas the Company aims for the medium to high income based customers. This leads to high level of competition in the high-income based customers segment. In the last year, the level of competition was even higher because of the expansion of Bangkok Hospital into the province; the hospital was well known among the high-income based customers. This urges for the Company to adjust its strategies to increase the competitiveness by focusing on the quality improvement, and getting accredited by the national body. Together with using pricing mechanism to increase the competitive advantage of the Company by being more flexible in the price setting than the competitors.

#### 4. Risk factors

##### Operational risks

- (a) Risks from changing in the governmental policies, rules, regulations, and laws related to the company  
A part of company's income comes from the Social Security Scheme, if there is any change in the policies about the payment or reduction in the capitation rate, the company's income will be affected.
- (b) Risks from reliance on specialists  
Both specialists and registered nurses are scarce personnel. This is especially the case when the company is situated in the upcountry. The recruitment of both specialist doctors and registered nurses is limited.

##### Financial risks

- (a) Debt payment delay risk  
In the past couples of years, there has been an increasing trend of customers using health insurance. This results in the increasing debt amount, and increasing the chance of the delay in payment. This in turn can affect the cashflow of the company, and the risk of debt default is increased.
- (b) Legal disputes, there would be a risk of lawsuit on medical services.

##### Risks that affecting the rights or investment of shareholders

- (a) Risk from the company's major shareholders holding more than 50%  
As of the 03<sup>rd</sup> of February, 2017, the Tangsubkul family has the number of shares in the company of 5,774,974 shares, or 57.75 per cent of the total paid shares of the company. This makes the Tangsubkul family able to control almost all the agendas at the Annual General Meeting of shareholders, including the appointing of directors and any agendas required majority votes of the shareholders. This is with an exception of any agendas required 3 out of 4 votes at the shareholders' meeting by law or the company's rules.
- (b) Risks from shares having not many free float, resulting in the low liquidity in share trading  
As of the 03<sup>rd</sup> of February, 2017, there were 466 minor shareholders and holding the company's share (Free Float) of 3,293,415 shares, or 32.93 per cent. This may result in low trading of stock and ordinary investors may not be able to trade at the normal level. This also means that the existing shareholders may have risk of not being able to sell the shares immediately at the prices as wish.



## 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

		03 <sup>rd</sup> of February, 2017	
		Number of shares	%
1	Miss Natthira Tangsubkul	2,423,542	24.24
2	Ms. Suphawan Tangsubkul	1,587,250	15.87
3	Ms. Pallapa Vidayakorn	1,017,000	10.17
4	Mr. Phiphat Tangsubkul	807,282	8.07
5	Thai NVDR Company Limited	533,786	5.34
6	Mrs. Wanlee Sangsiri	497,800	4.98
7	Miss Monticha Uchapun	495,000	4.95
8	Miss Orawan Ua-amporn	491,675	4.92
9	Mrs. Phirawan Changsirivathanathamrong	460,300	4.60
10	Mr. Phiraphat Tangsubkul	428,875	4.29

Remark: data from the share distribution from the Thailand Securities Depository as of 03<sup>rd</sup> February 2017

### 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 of the board
2. Suphawan	Tangsubkul, M.D.	Director
3. Sittichai	Ungklomklieow, M.D.	Director
4. Miss Bangon	Tangsubkul	Director
5. Miss Jariya	Chatsakunpen	Independence Director
6. Ass.Prof.Dr.Poonsakdi	Vaisamruat	Independence Director/ Audit Committee Chairman
7. Miss Suda	Santisavekul	Independence Director/Audit Committee Director
8. Alisa	Neramittagapong, M.D.	Independence Director/Audit Committee Director

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 Ungklomklieow, 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 Pattharaporn	Promptong	Secretary of Audit Committee

**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

**Selection of independent committees**

3 Independent committees are as listed. 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 absence 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.

**Remuneration Sub-Committee**

1. Miss Bangon Tangsubkul	Chairman of Remuneration Sub-Committee
2. Alisa Neramittagapong, M.D.	Remuneration Sub-Committee
3. Miss Jariya Chatsakunpen	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 |
| 2. Dr. Suphawan Tangsubkul, M.D.     | Executive Director              |
| 3. Dr. Sitichai Ungklomkieow, 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.

#### Corporate Governance and Ethics Committee

- |                                    |                    |
|------------------------------------|--------------------|
| 1. Ass.Prof.Dr. Phiphat Tangsubkul | Committee Chairman |
| 2. Miss Bangon Tangsubkul          | Committee Director |
| 3. Miss Suda Santiseveekul         | Committee Director |

The Scope of Duties and Responsibilities of the Corporate Governance and Ethics Committee

The Committee has duties and responsibilities as follows:

1. Proposing Corporate Governance Policies and a Code of Ethics of the company to the Board of Directors for approval.
2. Monitoring and supervising the company to ensure that corporate governance policies and business ethics specified by the Company are complied with
3. Continuously assessing the company's corporate governance policies and code of ethics to ensure that they comply with international standards and/or recommendations from related government organizations and propose these findings for approval from the Board of Directors.
4. Evaluating and proposing a Code of Best Practices to the Board of Directors and/or smaller committees in the Company.
5. Encouraging the dissemination of the good corporate governance culture across the organization and ensure that it is actually practiced.
6. Evaluating appointing and outlining the working team's roles in supporting the monitoring and supervision of business operations and ethics, as appropriate.
7. Performing other duties as assigned by the Board of Directors.

The management and all departments in the company must report or present the information and documents related to the corporate governance and ethics to the Committee in order to support the Committee to be most effective in their assigned duties.

#### Risk Management Committee

- |                                    |                    |
|------------------------------------|--------------------|
| 1. Dr. Sitichai Ungklomkieow, M.D. | Committee Chairman |
| 2. Ass.Prof.Dr.Poonsak Vaisamruat  | Committee Director |
| 3. Dr. Suphawan Tangsubkul, M.D.   | Committee Director |

The Scope of Duties and Responsibilities of the Risk Management Committee

The Committee has duties and responsibilities as follows:

1. Assessing and presenting policies, set risk management policy and framework and propose to the Board of Directors for approval.
2. Examining and agreeing on acceptable risk levels, approve risk management plans and present to the Board of Directors.

3. Continuously monitoring, develop and comply with policies and the risk management framework so the Company will have a risk management system that is uniformly effective throughout the organization to ensure that policies continue to be observed.
4. Assessing risk identification and assessment procedures, report on significant risk management activities and enforce procedures to ensure that the organization has sufficient and appropriate risk management systems in place.
5. Coordinating with the Audit Committee about significant risk factors and appoint an internal risk assessment team to ensure that the Company's risk management system is appropriate to the exposure, adapted as needed and adopted throughout the organization.
6. Continually reporting to the Board of Directors on significant risks and risk management solutions. Recommending and advising the Risk Management Committee and/or departments and/or the relevant working committees about significant risks about risk management, as well as evaluate the appropriate means to improve various databases that are related to the development of risk management solutions.
7. Appointing Sub-Committees and/or additional related personnel, or replacements in the Risk Management Committee and/or the Department and/or the working team that is related to managing risks as necessary, as well as determine their roles and responsibilities in order to achieve the objectives.
8. Executing other activities that pertain to managing risks as assigned by the Board of Directors.  
The management and/or the committee and/or all departments and/or working teams related to risk management and/or internal auditor and/or auditor of the company must report or present the information and documents related to the risk management to the Committee in order to support the Committee to be most effective in their assigned duties.

**Directors' Meeting Participation in 2016**

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

**Remuneration of Board Members**

Board member names	Position	Director salary	Meeting attendance fee (Baht per year)	Director Bonus/ Pension	Other director benefits
Ass. Prof. Dr. Phiphat Tangsubkul	Chairman of the board	None	168,000	None	None
Dr. Sitichai Ungklomkiew, M.D.	Director	None	51,000	None	None
Dr. Suphawan Tangsubkul, M.D.	Director	None	68,000	None	None
Miss Bangon Tangsubkul	Director	None	68,000	None	None
Miss Jariya Chatsakunpen	Independence Director	None	24,000	None	None
Ass.Prof.Dr.Poonsak Vaisamruat	Independence Director/ Audit Committee Chairman	None	48,000	None	None
Miss Suda Santiseveekul	Independence Director/Audit Committee Director	None	24,000	None	None
Dr. Alisa Neramittagapong, M.D.	Independence Director/Audit Committee Director	None	18,000	None	None

Remuneration and number of directors and management team

In 2016, the company paid salaries and bonuses to 12 of directors and management team of Baht 21.528 million.

Other remuneration of Managing directors and management team

-Provident fund

The company set up a provident fund and for the management team the fund paid by the company was set at 2-6 per cent of the salaries depending on the number of work years. In 2016, the company paid the provident fund for 6 directors and management team total of Baht 1.048 million.

Auditor's Remuneration

The auditor's remuneration for the year 2016 is 650,000 Baht per year by the Pitisavi & Company, all of which is audit fee. The company has no related person or related activities with auditors and the auditing company.

## Details of the Board of Directors and Management

Remark: data from the share distribution from the Thailand Securities Depository as of 30<sup>th</sup> December, 2016

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	73	- 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 Ungklomklieow, M.D. Director and Authorized Director	63	- 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 - Director
3) Dr. Suphawan Tangsubkul, M.D. Director and Authorized Director	71	- M.D., Chiangmai University, Thailand - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	15.87	Wife of (1)	1985- Current	- Vice- Medical Director and Managing Director at the Wattana Karnpaet Public Company Limited - Director
4) Miss Bangon Tangsubkul Director and Authorized Director	77	- Bachelor of Commerce, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	0.005	Sister of (1)	1985- Current	- Director
5) Miss Jariya Chatsakunpen Director	40	- Bachelor of Economics, Bangkok University, Thailand - Masters of Business Administration, Florida Metropolitan University, United States of America	0	-	2014- Current 2004- Current	-Independent Director -Business owner

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	64	- Bachelor of Law (Honours Class 2), Chulalongkorn University, Thailand - Doctoral de l' University de Paris II (Drait Sadministratif) (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	66	- 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	40	- Medical Doctor, Khonkean University, Thailand - Board Certification Specialist in Anesthetics, Khonkean University, Thailand	-	-	8 <sup>th</sup> of June, 2008 - Current	- Anesthetist Doctor at Udonthani Provincial Hospital (2005-Current) - Audit Committee at the Wattana Karnpaet Public Company Limited
9) Mrs. Darunee Venghuk Human Resources Manager	50	- Certificate of Accounting Udon Panichakarn-Changkorn College Udonthani, Thailand	-	-	1985-Current	- Human Resources Manager at the Wattana Karnpaet Public Company Limited
10) Mrs.Jutarat Krairivanthana Deputy Director	66	- Faculty of public health, Sukhothaithammathirat University - Certificate in Nursing and Midwifery, Nakhonratchasima nursing colleges	-	-	1997-Current	- Infection control Nurse - Deputy Director
11) Ms.Arunee Pothip Head of Nursing Division	46	- Bachelor of Nursing, Khon Kaen University	-	-	1991-Current	- Head of Nursing Division

12) Dr.Natthira Tangsubkul	39	-Doctor of Engineering, -Master of Engineering and management, -Bachelor of Engineering New South Wales University, Australia -Master of MBA, Sukhothaimathirath University -Certificate in ISO Auditor	24.24	Daughter of (1,3)	2004-Current	- Assisting Managing Director
13) Miss Pattharaporn Promtong	31	-Bachelor of Food Process Engineering King Mongkut's Institute of Technology Ladkrabang	-	-	2009-Curent	-Secretary of Audit Committee



## **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.

In the past year, the company operated following the Principles of Good Corporate Governance for Listed Companies 2006 as outlined by the Stock Exchange of Thailand. The principles consist of the topics of the Rights of shareholders, Equitable treatment of shareholders, Role of stakeholders, Disclosure and transparency, Responsibilities of the Board. The company's areas for improvement are the sustainability reporting following the framework of the Global Reporting Initiative (GRI) in order to incorporate the Corporate Social Responsibility into the ordinary operational processes, and outlining the related policies and implementations.

### **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 is 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 auditor's remuneration for the year 2015 is 620,000 Baht per year by the Pitisavi & Company, all of which is audit fee. The company has no related person or related activities with auditors and the auditing company

#### 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 Company's Committee, the Audit Committee, and the Management had convened for an evaluation of internal control system with a consideration on the audited performance from auditing, advices of the auditors, with additional information queries to the Management. From the Company's internal control system evaluation checklists, there are 5 considerable i.e. organization and environment, risk management control for management operation, information technology system, information communication and follow-up system, the committee agrees that the Company has a sufficient internal control efficiency. For good corporate governance, the committee has promoted and supported the management team to continuously improve internal control quality.

#### 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 Pattharaporn Promtong Tel. 042-325999 , or e-mail : [admin@wattanahospital.net](mailto:admin@wattanahospital.net).

#### 6.18 Internal control of information

The company has the internal control of information usage according to the principles of Good Corporate Governance by outlining in the Handbook of Code of Conduct for board and executive, and employee, which can be summarized as follow:

1. The Board and executive and employee shall sign to acknowledge the related announcement made by the Securities and Exchange Commission stating that Board and executive shall obligate to report its own changes in the stock holding to SEC as per the Section 59 of the Securities and Exchange Act B.E. 2535 within 3 days from the date the changes take place. And will notify the corporate secretary to record the changes and resulted number of shares held by the Board and executive and employees individually to report to the board committee in the next meeting. The penalties of non-compliance are also announced.
2. The company has implemented the rules of prohibiting the leak of the financial statement information or any other information that may affect the share price of the company to outsider or non-related person. And prohibit any trade of the company share in a month before the announcement of the financial statement or any other information that may affect the company share's price to the public. And prohibit the trading of the company share within the first 24 hours after the information has been announced to the public. Non compliance of the rules will be regarded as breaching the company's Code of Conduct and shall be penalized from notification, deduction of salary, put on leave without pay, or stop hiring.

This has been approved by the board of directors meeting 1/2014 and started to implement on the 1<sup>st</sup> of March 2014 onwards.

**6.19 Dividend policy**

The company has a policy to pay the dividend at least 50 per cent (In which 2016, will be changed to at least 40 per cent due to the company had never paid dividend at 50 percent, therefore shall adjusted to reflect the actual practice) 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**

There were related transactions including 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:

(1) 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 and trading medicines and medical supplies, which the prices and conditions are complied to a regular business agreement. The description and quantities of the transactions can be found in the number 6 of the notes of the financial statement. The reason for the transactions was for the benefits of the company, that is the referring of patients from the 21 Sattawat Vejchakit Company Limited located in different province. And to improve the efficiency of the inventory management in order to also increase the bargaining power with the suppliers.

(2) The company has related transactions with the Bemedical Trading Limited Partnership which share some of the same shareholders with the company. The company sells medical supplies and provides radiology and laboratory services to the related company using the normal pricing. The description and quantities of the transactions can be found in the number 6 of the notes of the financial statement. The reasons for the related transactions were because the company gains revenues from these transactions by providing services mentioned above.

**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 and the Bemedical Trading Limited Partnership 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”

Management Discussion and Analysis: MD&A

### 8.1 Overview

Wattana Karnpaet Public Company Limited (“Company”) reported the total income in 2016 to be Baht 303.553 million, decreased by 7% from that of 2015. The decrease in income was from the hospital exiting the social security scheme, which resulted in losing the income of around Baht 55.64 million. However, the hospital gained the income of around Baht 25.80 million from the general patients, or around 18 per cent increase from the income of this group of patients last year.

In 2016, the Company has EBITDA of Baht 39.01 million, which decreased 4 per cent from the previous year.

From the above explanation, the Company reported net profit of Baht 10.890 million, decreased 16 per cent from last year.

Major development in 2016

1. Opened special clinic: Child Hormone (Endocrine) Clinic
2. Opened a new ward
3. Build networked hospitals with both higher Tertiary Care and Primary-Secondary Care hospitals to ensure patient safety and increase the confidence of customers.

### 8.2 Financial Summary 2016 and Profitability

#### Operating Income

(Million Baht)	2016	2015	%Change
Revenue from hospital operations	294.217	317.268	-7%
Other Income	9.336	8.117	15%
Total Income	303.553	325.385	-7%

In 2016, the Company had the total income of Baht 303.553 million, decreased Baht 21.832 million or a 7% decrease from last year. This was mostly from the exit from social security scheme.

#### Cost and Expenses

(Million Baht)	2016	2015	% Change
Cost of hospital operations	216.118	239.140	-10%
Administrative expenses	69.012	64.819	7%
Total cost and expenses and depreciation	285.130	303.959	-6%

In 2016, the Company had the cost of hospital operations with depreciation of Baht 216.118 million, decreased by Baht 23.022 million, or 10% from last year. The cost of hospital operations decreased due to the decrease in the number of social security patients. The administrative expense was Baht 69.012 million, increased Baht 4.193 million from last year. The increase in the administrative expense was due to the increase in the wages and salaries and the marketing activities to increase new patients.

#### Profitability Analysis

(Million Baht)	2016	2015	% Change
EBITDA	39.006	40.697	-4%
EBITDA margin	13%	13%	
EBIT	18.514	22.419	-17%
EBIT margin	6%	7%	
Net profit	10.890	13.003	-16%
Net profit margin	4%	4%	
Basic earning per share	1.09	1.30	-16%

From the above mentioned, EBITDA did not change significantly from last year, ie. in 2016, the EBITDA was Baht 39.006 million. The EBITDA margin stays the same as last year at 13%.

**Balance Sheet and Cash Flow**

**Balance Sheet**

(Million Baht)	2016	2015	% Change
Total Assets	454.442	467.431	-3%
Total Liabilities	129.677	148.555	-13%
Total Shareholders' Equity	324.765	318.876	2%

In 2016, the total assets of the Company decreased by 3%, resulting in the 2016 total assets of Baht 454.442 million. At the same time the total liabilities was decreased by 13%, resulting in the total liabilities of Baht 128.677 million. This resulted in the total shareholders' equity in 2016 was Baht 324.765 million, or a 2% increase.

**Cash Flows**

(Million Baht)	2016
Net cash provided by operating activities	37.223
Net cash used in investing activities	(14.396)
Net cash provided by financing activities	(19.411)
Net increase in cash and cash equivalents	3.416
Cash and cash equivalents as at January 1,	32.283
Cash and cash equivalents as at December 31,	35.698

In 2016, the Company had net increase in cash and cash equivalent of Baht 3.416 million, with the cash and cash equivalents at the beginning of the period of Baht 32.283 million. As a result, cash and cash equivalents at the end of the period was Baht 35.698 million

**8.3.Assets utilization**

	2016	2015
Accounts receivable turnover	8.69	7.64
Number of days of receivables (days)	41.41	47.14
Inventory turnover	54.12	54.60
Number of days of inventory (days)	6.65	6.59

In the past year, the number of days of receivables was slightly decreased. This is because the company has implemented a system of follow up the debts to increase the effectiveness of the Account Receivable system to continueing to reduce number of days of receivables.

In 2016, the number of days of inventory was 6.65 days, similar to that of last year. This is deemed appropriate for maintaining sufficient inventory for the operations without short. The inventory consists of medicines and medical supplies. The company has joined with other alliant private hospitals to increase the flexibility in managing the inventory turnover. The company could sell off items that the usage rate was low at the time.

**8.4 Liquidity and sufficiency of funding**

	2016	2015
Current ratio	1.10	1.05
Quick ratio	1.01	0.96
Cash ratio	0.52	0.45
Interest coverage	13.79	14.38

From the liquidity side, the current ratio of the company was 1.10 which sufficient for an ordinary business operations. In 2016, the company's account receivable and inventory both decreased, resulting in the increased in cashflow from the previous year. This is shown in the Cash Ratio increased from 0.45 to 0.52.

As for the debt repayment ability, the company complies with all the loan conditions.

#### 8.5. Debt payment

	2016	2015
Interest coverage	13.79	14.38
Debt service coverage (Cash Basis)	1.21	1.48
Debt to equity ratio	0.40	0.47

The company has an ability to service debt. The interest coverage was 13.79 in 2016, decreased from that of last year. The debt service coverage (cash basis) in 2016 was 1.21, decreased from last year because the company's cash from operations decreased together with the slight increase in interest payment during the year.

In 2016, the debt to equity ratio was 0.40 decreased slightly from last year.

#### 8.6 Significant factors potentially affecting the financial status or the operations in the future (Forward Looking)

In 2017, there is an economy slowing down trend, which may lower the number of customers affecting the operations of the company. Together with the expansion of the major hospital chain in the country coming into the province and the nearby province raising the competition level.

WATTANA KARNPAET PUBLIC COMPANY LIMITED  
FINANCIAL STATEMENTS  
As At December 31, 2016

TO THE SHAREHOLDERS OF  
WATTANA KARNPAET PUBLIC COMPANY LIMITED

**Opinion**

I have audited the accompanying financial statements of WATTANA KARNPAET PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WATTANA KARNPAET PUBLIC COMPANY LIMITED as at December 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

**Basis for Opinion**

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

**Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements. My opinion on the financial statements is not modified with respect to any of the key audit matters described below, and I do not express an opinion on these individual matters.

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

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

**Revenue recognition**

The Company has principle income from hospital business accounting for 96.92% of total revenue and there are a large number of revenue transaction. The revenue also has a number of components, such as revenue from hospital, revenue from sales of medicines, revenue from hospital rooms and is derived from provision of services to various types and a large number of customers. There are therefore risks with respect to the amount and timing of revenue recognition. I, therefore, consider the recognition of revenue from hospital operation to be key matter.

My significant audit procedures are assessing and testing the Company's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I also applied method to sampling examining supporting documents for revenue transactions occurring during the year and near the end of accounting period, testing the cut-off of revenue recognition, reviewing of credit notes that the Company issued after the period - end. In addition, I performed analytical procedures to detect possible irregularities in revenue transactions throughout the period.

**Other Information**

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

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



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

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

#### Responsibilities of Management and Those Charged with Governance for the financial statements

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

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

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

#### Auditor's Responsibilities for the Audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

#### Auditor's Responsibilities for the Audit of the financial statements (Con't)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be

communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is Chaovana Viwatpanachati.



(Chaovana Viwatpanachati)  
Certified Public Accountant (Thailand) No. 4712

OFFICE OF PITISEVI CO., LTD.  
8/4, Floor 1<sup>st</sup>, 3<sup>rd</sup>, Soi Viphavadee Rangsit 44,  
Chatuchak, Bangkok

February 27, 2017

## WATTANA KARNPAET PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

		Unit : Baht	
	Note	2016	2015
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	35,698,402.06	32,282,532.93
Temporary investments		-	160,920.71
Trade accounts and other receivables - net	5, 7	27,733,319.88	39,961,274.84
Inventories		4,960,096.99	5,913,027.19
Other current assets		293,510.31	928,307.35
Total current assets		68,685,329.24	79,246,063.02
<b>NON - CURRENT ASSETS</b>			
Cash at bank held as collateral	8	5,020,000.00	5,661,715.19
Long - term loan to related company - net	5	-	-
Property plant and equipment - net	9	365,471,815.55	366,434,486.89
Intangible assets - net	10	6,832,479.08	7,703,763.53
Deferred tax assets	11	7,987,229.37	8,039,906.45
Other non - current assets		444,975.40	345,086.53
Total non - current assets		385,756,499.40	388,184,958.59
<b>TOTAL ASSETS</b>		454,441,828.64	467,431,021.61

## WATTANA KARIPAET PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION (Con't)

AS AT DECEMBER 31, 2016

		Unit : Baht	
	Note	2016	2015
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft	12	887,390.36	2,174,123.01
Trade accounts and other payables	5, 13	34,769,370.34	40,637,284.47
Short - term loans from related persons	5	-	7,000,000.00
Current portion of long - term liabilities			
Long - term loan from financial institution	14	10,952,000.00	8,832,000.00
Liabilities under hire purchase contract	15	198,132.38	-
Liabilities under financial lease contract	16	1,184,866.01	1,114,828.78
Employee benefit obligations	17	12,250,000.00	12,250,000.00
Accrued income tax		2,017,707.02	2,929,308.63
Other current liabilities		364,425.22	279,614.88
Total current liabilities		62,623,891.33	75,217,159.77
<b>NON - CURRENT LIABILITIES</b>			
Long - term loan from financial institution - net	14	52,350,024.00	59,508,000.00
Liabilities under hire purchase contract - net	15	940,212.50	-
Liabilities under finance lease contract - net	16	3,539,918.88	4,724,784.88
Employee benefit obligations - net	17	10,222,495.00	9,105,421.38
Total non - current liabilities		67,052,650.38	73,338,206.26
<b>TOTAL LIABILITIES</b>		129,676,541.71	148,555,366.03

## WATTANA KARIPAET PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION (Con't)

AS AT DECEMBER 31, 2016

		Unit : Baht	
	Note	2016	2015
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (Con't)</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
10,000,000 common shares of Baht 10.- each		100,000,000.00	100,000,000.00
Issued and paid - up share capital			
10,000,000 common 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	18	10,000,000.00	10,000,000.00
Unappropriated		152,265,286.93	146,375,655.58
Total shareholders' equity		324,765,286.93	318,875,655.58
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>454,441,828.64</b>	<b>467,431,021.61</b>

**WATTANA KARNPAET PUBLIC COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

		Unit : Baht	
	Note	2016	2015
<b>REVENUES</b>			
Revenue from hospital operations	5	294,217,121.78	317,267,796.53
Other income	5	9,335,707.32	8,116,747.05
Total revenues		303,552,829.10	325,384,543.58
<b>COST AND EXPENSES</b>			
Cost of hospital operations	5	216,118,274.94	239,139,572.71
Selling and administrative expenses	5	69,011,899.35	64,818,939.94
Total cost and expenses		285,130,174.29	303,958,512.65
<b>PROFIT BEFORE FINANCE COST AND INCOME TAX</b>		18,422,654.81	21,426,030.93
Finance cost	5	(3,915,624.62)	(3,811,153.69)
<b>PROFIT BEFORE INCOME TAX</b>		14,507,030.19	17,614,877.24
Income tax expense	11.2	(3,617,398.84)	(4,611,490.50)
<b>NET PROFIT FOR THE YEAR</b>		10,889,631.35	13,003,386.74
OTHER COMPREHENSIVE INCOME		-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		10,889,631.35	13,003,386.74
<b>BASIC EARNINGS PER SHARE (BAHT : SHARE)</b>	21	<u>1.09</u>	<u>1.30</u>

**WATTANA KARIPAET PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Unit : Baht					
	Note	Issued and fully	Premium on	Retained earnings	
		paid - up	common shares	Appropriated	Unappropriated
		share capital		Legal reserves	Total
Balance as at January 1, 2015		100,000,000.00	62,500,000.00	10,000,000.00	136,872,268.84
Dividend paid	19	-	-	-	(3,500,000.00)
Comprehensive income for the year		-	-	-	13,003,386.74
Balance as at December 31, 2015		100,000,000.00	62,500,000.00	10,000,000.00	146,375,655.58
Dividend paid	19	-	-	-	(5,000,000.00)
Comprehensive income for the year		-	-	-	10,889,631.35
Balance as at December 31, 2016		100,000,000.00	62,500,000.00	10,000,000.00	152,265,286.93

## WATTANA KARIPAET PUBLIC COMPANY LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

		Unit : Baht	
	Note	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before income tax		14,507,030.19	17,614,877.24
Reconciliation of net profit to net cash provided by (used in) operating activities :			
Depreciation and amortization expenses	9, 10	20,491,165.52	18,278,427.03
Bad debt		371,822.00	1,203,191.00
Allowances for doubtful accounts	7	1,714,201.19	824,333.51
Amortized expenses		-	924,750.00
Reversal of doubtful accounts - trade accounts receivables	7	(334,726.00)	(630,811.00)
Reversal of doubtful accounts - loan to ralated company	5	(1,380,459.04)	(835,198.93)
Provision for employee benefits	17	1,117,073.62	1,411,990.00
Interest income		(922,070.76)	(964,801.07)
Interest expenses		3,915,624.62	3,811,153.69
Profit provided by operating activities before changes in operational assets and liabilities		39,479,661.34	41,637,911.47
Decrease (Increase) in operating assets :			
Trade accounts and other receivables		10,476,657.77	1,773,917.12
Inventories		952,930.20	(204,122.31)
Other current assets		634,797.04	(477,596.61)
Other non - current assets		(99,888.87)	2,011,803.49
Increase (Decrease) in operating liabilities :			
Trade accounts and other payables		(5,913,732.93)	2,624,813.28
Other current liabilities		84,810.34	18,808.11
<b>Cash provided by (used in) operating activities</b>		<b>45,615,234.89</b>	<b>47,385,534.55</b>
Interest paid		(3,915,624.62)	(3,811,153.69)
Income tax paid		(4,476,323.37)	(3,592,369.97)
<b>Net cash provided by (used in) operating activities</b>		<b>37,223,286.90</b>	<b>39,982,010.89</b>



**WATTANA KARNPAET PUBLIC COMPANY LIMITED**

**STATEMENT OF CASH FLOWS (Con't)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

		Unit : Baht	
	Note	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash at bank held as collateral decrease		641,715.19	-
Temporary investments decrease		160,920.71	-
Receipt from long - term loan to related company	5	1,380,459.04	835,198.93
Acquisition of property, plant and equipment	9	(17,474,064.35)	(14,287,510.83)
Purchase of intangible assets	10	(27,320.00)	(5,796,304.88)
Interest received		922,070.76	964,801.07
<b>Net cash provided by (used in) investing activities</b>		<b>(14,396,218.65)</b>	<b>(18,283,815.71)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in bank overdraft		(1,286,732.65)	1,176,380.78
Repayments of short - term loans from related persons	5	(7,000,000.00)	(2,000,000.00)
Receipt of long - term loans from financial institution	14	3,794,024.00	-
Repayments of long - term loans from financial institution	14	(8,832,000.00)	(5,547,000.00)
Repayment of finance lease contract		(1,114,828.77)	-
Dividend paid		(4,971,661.70)	(3,478,148.45)
<b>Net cash provided by (used in) financing activities</b>		<b>(19,411,199.12)</b>	<b>(9,848,767.67)</b>
<b>Increase in cash and cash equivalents - net</b>		<b>3,415,869.13</b>	<b>11,849,427.51</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>32,282,532.93</b>	<b>20,433,105.42</b>
<b>Cash and cash equivalents at end of the year</b>		<b>35,698,402.06</b>	<b>32,282,532.93</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION**

1.	Cash paid during the period for		
	Capitalized borrowing cost to its assets	-	548,385.90
2.	Non - cash items		
	Purchase of asset on credit	9	17,480.50
	Purchase of asset on hire purchase contract	9, 15	1,138,344.88
	Purchase of asset on financial lease contract	9, 16	-
	Accrued dividend		136,253.85
3.	Unrealize credit facilities for future working capital		71,928,585.64
			25,635,876.99

**WATTANA KARNAET PUBLIC COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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".

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The statutory financial statements are prepared in the 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") and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (1992).

The financial statements have been presented in accordance with Thai Accounting Standards No. 1 (Revised 2014) 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" dated September 28, 2011.

The financial statements are presented in Thai Baht, which is the Company's functional currency unless otherwise stated.

**3. ADOPTION OF NEW THE FINANCIAL REPORTING STANDARDS**

**3.1 Financial reporting Standards that became effective in the current year**

During the year, the Company have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016.

These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

**3.2 Financial reporting Standards that will become effective in the current year**

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

The management of the Company believe that the revised and new financial reporting standards and interpretation will not have any significant impact on the financial statements when they are initially applied.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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 each following accounting policies.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**4.1 Recognition of revenues**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow the enterprise and the amount of the revenue can be measured reliably.

The revenues from hospital activities mostly consist of revenue from hospital room, revenue from hos rooms, medicines and other are recognized as revenues when the service is provided to customers or medicines has been distribute.

Rental income is recognized on a straight - line basis over the term of the lease.

Interest income is recognized on an accrual basis that takes into account of the effective yield.

Other income is recognizes on an accrual basis.

**4.2 Cash and cash equivalents**

Cash and cash equivalent consist of cash on hand, bank deposits, and all highly liquid investments with financial institution with an original maturities of 3 month or less, which are not restricted to any use and any use and including call notes receivable and term notes receivable maturing within 3 months or less and not subject to withdrawal restrictions.

Time deposits with maturity exceed three-month period but less than twelve-month period are recorded as current investment.

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

**4.3 Trade accounts and other receivable and allowance for doubtful accounts**

Trade accounts and other receivable are stated at the net realizable value. The Company provides allowance for doubtful accounts for estimated losses that may incur in collection of receivables. The allowance is based on collection experience, the analysis of debt aging and its current financial position.

Bad debts are written off when incurred. Bad debts are written off during the year in which they are identified and recognized in profit or loss within administrative expenses.

**4.4 Inventories**

The Company valued the medical and supplies at the lower cost or net realizable value. Cost is calculated by first in - first out method and is charged to vessel costs of goods sold whenever consumed.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to complete and to make the sale.

**4.5 Property, plant and equipment**

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

Property and equipment are presented at cost less from accumulated depreciation and net allowance for impairment loss (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 labor, 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 capitalized borrowing costs.

When parts of an item of lands, premises and equipment have different useful lives, they are accounted for as separate items (major components) of lands, premises and equipment.

Expenditure for additions, replacement and betterment are capitalized. Repair and maintenance costs are recognized as expenses in the statement of comprehensive income when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The Company calculated depreciation for all assets, after deducting residual value, on the straight-line basis over the estimated useful lives as follows:

Building and construction	10 - 30	Years
Tool and medical equipment	5 - 10	Years
Furniture, fixture and office equipment	3 - 10	Years
Tools	5 - 10	Years
Vehicles	5 - 10	Years

No depreciation is provided for land and assets in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### 4.6 Borrowing costs

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

#### 4.7 Intangible assets and amortization

Intangible assets that are acquired by the Company and have finite useful lives are present at historical cost net of accumulated amortization and allowance for impairment (if any).

Amortized is calculated by straight - line basis over the asset economic useful life as follows:

Computer software	10 years
-------------------	----------

#### 4.8 Employee benefit obligations

##### 4.8.1 Short - term employee benefit

Short - term employee benefit obligations, which include salary, wages, bonuses, contributions to the social security fund, provident fund and other welfare are measured on an undiscounted basis and are recognized as expenses when incurred.

##### 4.8.2 Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss as incurred.

##### 4.8.3 Defined benefit plan

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 reporting 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 rate 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 in comprehensive income or loss.

#### 4.9 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.

#### 4.10 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

##### Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company operate and generate taxable. income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial

statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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

#### 4.11 Basic earnings per share

Basic earnings per share is determined by dividing the net income for the year by the number of weighted-average common shares issued and paid-up during the year, adjusted for own shares held (if any).

#### 4.12 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### 4.13 Impairment

The Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount of assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized in profit or loss.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exist, the Company estimates the asset's recoverable amount in which case an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### 4.14 Lease

Operating lease - Lessor

Assets for lease under operating lease contract presented in the statement of financial position according to the nature of the assets. Income from operating lease are recognized as an income on a straight - line basis over the lease term.

#### Operating lease - Lessee

Lease in which substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight - line basis over the lease term.

#### Financial lease - Lessee

Finance lease are the leases in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company. At inception, the fair value of the leased assets is recorded together with the obligations after netting deferred interest. The leased assets are depreciated using the straight-line method over their estimated useful lives. Interest, finance charge, or depreciation are recognized in profit or loss.

#### 4.15 Operating segments

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

#### 4.16 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, temporary investments, trade accounts and other receivables, and loans to related parties and financial liabilities carried on the statement of financial position include bank overdrafts and long-term loan, trade accounts and other payables, loan from related parties, liabilities under hire purchase contract, liabilities under finance lease contract. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 4.17 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 recognized in the period in which estimates are revised and in any future periods affected.

Significant accounting judgments and estimates are as follows:-

##### 4.17.1 Recognition and derecognition of assets and liabilities

In considering whether to recognize or to derecognize assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

##### 4.17.2 Allowance for doubtful accounts

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

##### 4.17.3 Property plant and equipment and depreciation

In calculating depreciation on building and equipment, the management estimates useful lives and salvage values of the Company's building and equipment and reviews estimated useful lives and salvage values if there are any changes.

##### 4.17.4 Deferred tax assets

Deferred tax assets are recognized in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be recognized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate future taxable profits.

4.17.5 Provision for employee benefit

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate.

4.17.6 Lease

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

**5. TRANSACTIONS WITH RELATED PERSONS AND COMPANY**

The Company has certain transactions with its related parties. Part of assets, liabilities, income and expenses are incurred from such related transactions. These companies are related through common shareholdings and/or directorships as follows.-

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

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

1. Having common directors.
2. Having partnership/certain shareholders in common.
3. Four Executive directors and shareholders with two directors are a major shareholder.
4. Shareholder and closed member of the Company's director.
5. The Company has policies on determining price with their related parties as follows:

Transaction	Pricing Policy
1. Disposal of medicine and medical supplies	Cost price
2. Interest income	5.00% per annum
3. Medicine and medical supplies service income	The contract rate
4. Rental income	The contract rate
5. Purchase of medicine and medical supplies	Cost price
6. Interest expenses	7.37% per annum
7. Rental expenses	The contract rate
8. Doctor fees	The same rate as non-medical related persons
9. Transfer patients fee	10% of net revenues collected from the patient

Significant transactions between the Company and related persons and companies in the statement of comprehensive income are as follows:-

		Unit : Baht	
	Pricing policies	2016	2015
<b>Related company</b>			
Revenue from hospital operations	1	2,504,819.84	8,186,250.89
Other incomes	2, 3, 4	1,274,269.63	1,588,243.68
Cost of hospital operations	5	1,541,883.62	1,833,106.57
Administrative expenses	9	739,264.40	485,068.70
<b>Related persons</b>			
Revenue from hospital operations	1	16,938.55	9,173.68
Other incomes	4	312,000.00	257,327.13

Cost of hospital operations	5, 8	10,750,655.00	11,871,561.00
Administrative expenses	7	8,220,000.00	4,560,000.00
Finance cost	6	308,328.52	628,166.04

**Management's benefit expenses**

The Company has paid salaries, bonus, meeting allowances, contributions to the social security fund, other welfare and post-employment benefits to their directors and management recognized as expenses as follows:

	Unit : Baht	
	2016	2015
Short - term benefits	21,368,716.00	20,331,044.00
Post - employment benefits	159,216.00	327,161.00
Total	21,527,932.00	21,658,205.00

The outstanding balance of account with related parties are as follows:-

	Unit : Baht	
	2016	2015
<b>Trade accounts and other receivables</b>		
<u>Trade accounts receivables</u>		
Related persons	689.00	796.00
<u>Other receivables</u>		
Related parties	1,559,563.28	6,613,562.61
Related persons	98,876.55	200,688.98
Total other receivables	1,658,439.83	6,814,251.59
Total trade accounts and other receivables	1,659,128.83	6,815,047.59

**Long - term loan to related company - net**

	Unit : Baht		
	Balance as at December 31, 2015	Movement during the year Additional      Receipt	Balance as at December 31, 2016
<b>21 Sattawat Vejchakit Co., Ltd.</b>			
Long - term loan	18,844,110.88	-      (1,380,459.04)	17,463,651.84
<u>Less</u> Allowance for doubtful debt	(18,844,110.88)	-      1,380,459.04	(17,463,651.84)
Net	-	-      -	-

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 totaling 240 installments. The first installment was commenced in January 2008.

	Unit : Baht	
	2016	2015
<b>Trade accounts and other payables</b>		
<u>Other payables</u>		
Accrued expenses - related company	15,000.00	18,893.10
Accrued expenses - related persons	42,300.00	105,588.00
Accrued salary and doctor fees expenses - related persons	904,615.00	2,215,808.00
Accrued bonuses - related persons	2,050,000.00	-
Other payables - related parties	125,756.05	233,697.86
Total other payables	3,137,671.05	2,573,956.96



**Short - term loans from related persons**

	Unit : Baht			
	Balance as at December 31, 2015	Movement during the year		Balance as at December 31, 2016
		Additional	Repayment	
Directors	4,000,000.00	-	(4,000,000.00)	-
Shareholders and management	3,000,000.00	-	(3,000,000.00)	-
Total	7,000,000.00	-	(7,000,000.00)	-

The Company had unsecured loans from two related persons in respect of loan agreements which were charged interest at the rate of 7.37% per annum. The Company had fully paid the loan amount.

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of.-

	Unit : Baht	
	2016	2015
Cash in hand	786,848.00	604,843.00
Outstanding cheque	-	1,090,159.86
Cash at bank - current account	17,848,149.27	1,808,234.53
- saving account	17,063,404.79	28,779,295.54
Total	<u>35,698,402.06</u>	<u>32,282,532.93</u>

**7. TRADE ACCOUNTS AND OTHER RECEIVABLES - NET**

Trade accounts and other receivables - net consists of.-

	Unit : Baht	
	2016	2015
<u>Trade accounts receivables</u>		
Contract receivables	27,886,663.47	32,805,665.87
Accounts and employees receivables - related persons	689.00	796.00
Accounts and employees receivables - other persons	3,259,312.00	3,273,001.00
Accrued income and notes receivables	1,474,794.00	6,741,791.39
Total trade account receivables	<u>32,621,458.47</u>	<u>42,821,254.26</u>
<u>Less</u> Allowance for doubtful debt	<u>(12,193,273.69)</u>	<u>(10,813,798.50)</u>
Trade accounts - net	<u>20,428,184.78</u>	<u>32,007,455.76</u>

	Unit : Baht	
	2016	2015
<u>Other receivables</u>		
Prepaid expenses	1,317,392.62	486,553.09
Accrued rental income - related person	72,000.00	107,484.00
Other receivable - related parties	1,559,563.28	6,613,562.61
Other receivable - related person	26,876.55	93,204.98
Other receivable - other person	4,329,302.65	653,014.40
Total other receivables	<u>7,305,135.10</u>	<u>7,953,819.08</u>
Total trade accounts and other receivables - net	<u>27,733,319.88</u>	<u>39,961,274.84</u>

The outstanding balance of trade accounts receivables - net aged by number of months as follows:

	Unit : Baht	
	2016	2015
Accounts receivables not yet due	13,144,221.86	21,711,804.41
Accounts receivables over due		
Under or equal to 3 months	4,960,194.32	5,554,617.22
Over 3 months to 6 months	1,217,484.00	3,067,506.63
Over 6 months to 12 months	1,175,099.60	1,713,749.50
Over 12 months	12,124,094.69	10,773,576.50
Total	<u>32,621,458.47</u>	<u>42,821,254.26</u>

<u>Less</u>	Allowance for doubtful accounts	(12,193,273.69)	(10,813,798.50)
	Net	<u>20,428,184.78</u>	<u>32,007,455.76</u>

Movement in allowance for doubtful accounts are as follows:

		Unit : Baht	
		2016	2015
Beginning balance		10,813,798.50	10,620,275.99
<u>Add</u>	Increase during the year	1,714,201.19	824,333.51
<u>Less</u>	Reversal during the year	(334,726.00)	(630,811.00)
Ending balance		<u>12,193,273.69</u>	<u>10,813,798.50</u>

#### 8. CASH AT BANK HELD AS COLLATERAL

Cash at bank held as collateral consist of.-

		Unit : Baht	
Type of deposit	Credit facilities	2016	2015
Saving account	Bank overdraft and Letter of Guarantee	5,020,000.00	5,020,000.00
1 year fixed deposits	The utilization of electricity	-	641,715.19
Total		<u>5,020,000.00</u>	<u>5,661,715.19</u>

## 9. PROPERTY, PLANT AND EQUIPMENT - NET

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
<b><u>Cost</u></b>								
As at January 1, 2015	66,554,742.60	207,519,765.81	90,270,289.63	38,568,716.63	12,163,707.61	15,759,977.58	134,564,795.42	565,401,995.28
Purchase during the								
Add year	-	1,801,625.20	1,851,642.20	845,337.00	221,570.00	6,196,450.41	10,146,284.88	21,062,909.69
As at December 31, 2015	66,554,742.60	209,321,391.01	92,121,931.83	39,414,053.63	12,385,277.61	21,956,427.99	144,711,080.30	586,464,904.97
<b><u>Accumulated depreciation</u></b>								
As at January 1, 2015	-	93,191,468.26	50,433,700.23	34,578,087.29	10,408,810.45	13,635,497.40	-	202,247,563.63
Depreciation for the								
Add year	-	8,325,120.02	6,126,521.76	1,903,337.75	591,908.14	835,966.78	-	17,782,854.45
As at December 31, 2015	-	101,516,588.28	56,560,221.99	36,481,425.04	11,000,718.59	14,471,464.18	-	220,030,418.08
<b><u>Net book value</u></b>								
As at January 1, 2015	66,554,742.60	114,328,297.55	39,836,589.40	3,990,629.34	1,754,897.16	2,124,480.18	134,564,795.42	363,154,431.65
As at December 31, 2015	66,554,742.60	107,804,802.73	35,561,709.84	2,932,628.59	1,384,559.02	7,484,963.81	144,711,080.30	366,434,486.89

## 9. PROPERTY, PLANT AND EQUIPMENT - NET (Con't)

Unit : Baht

	Land	Building and construction	Tool and medical equipment	Furniture, fixture and office equipment	Tools	Vehicles	Assets in progress	Total
<b><u>Cost</u></b>								
As at January 1, 2016	66,554,742.60	209,321,391.01	92,121,931.83	39,414,053.63	12,385,277.61	21,956,427.99	144,711,080.30	586,464,904.97
Purchase during the								
Add year	-	132,000.00	4,952,530.00	3,159,705.06	527,361.50	1,649,000.00	8,209,293.17	18,629,889.73
Add/Less Transfer in (out)	-	45,348,023.09	-	-	-	-	(45,348,023.09)	-
As at December 31, 2016	66,554,742.60	254,801,414.10	97,074,461.83	42,573,758.69	12,912,639.11	23,605,427.99	107,572,350.38	605,094,794.70
<b><u>Accumulated depreciation</u></b>								
As at January 1, 2016	-	101,516,588.28	56,560,221.99	36,481,425.04	11,000,718.59	14,471,464.18	-	220,030,418.08
Depreciation for the								
Add year	-	9,187,376.94	6,798,626.92	1,723,916.24	536,462.36	1,346,178.61	-	19,592,561.07
As at December 31, 2016	-	110,703,965.22	63,358,848.91	38,205,341.28	11,537,180.95	15,817,642.79	-	239,622,979.15
<b><u>Net book value</u></b>								
As at January 1, 2016	66,554,742.60	107,804,802.73	35,561,709.84	2,932,628.59	1,384,559.02	7,484,963.81	144,711,080.30	366,434,486.89
As at December 31, 2016	66,554,742.60	144,097,448.88	33,715,612.92	4,368,417.41	1,375,458.16	7,787,785.20	107,572,350.38	365,471,815.55

**Depreciation for the year ended December 31, consist of.-**

	2016	2015
Cost of services	17,310,605.38	15,978,151.23
Administrative expenses	2,281,955.69	1,804,703.22
Total	19,592,561.07	17,782,854.45

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 to the financial statement.

As at December 31, 2016 and 2015, the Company had fully depreciated fixed assets but still in active use at the cost value totaling Baht 131.25 million and Baht 122.53 million respectively.

As at December 31, 2016 and 2015, the Company has assets value of Baht 7.85 million and Baht 6.20 million respectively under hire-purchase contracts and finance lease contracts as described in Note 15 and 16 to the financial statements.

**10. INTANGIBLE ASSETS - NET**

Intangible assets - net, consist of.-

	Unit : Baht	
	2016	2015
<b>Computer software</b>		
<b>Cost</b>		
As at January 1,	8,949,876.18	3,153,571.30
Add Purchase during the year	27,320.00	5,796,304.88
As at December 31,	8,977,196.18	8,949,876.18
<b>Accumulated amortization</b>		
As at January 1,	1,246,112.65	750,540.07
Add Amortization during the year	898,604.45	495,572.58
As at December 31,	2,144,717.10	1,246,112.65
<b>Net book value</b>		
As at January 1,	7,703,763.53	2,403,031.23
As at December 31,	6,832,479.08	7,703,763.53

The Company is amortization included in administrative expenses in the statement of comprehensive income.

**11. DEFERRED TAX ASSETS**

Deferred tax assets are as follows:

	Unit : Baht	
	2016	2015
Deferred tax assets	7,987,229.37	8,039,906.45

**11.1 Movements in deferred tax assets and liability during the year were as follows:**

	Unit : Baht		
	As at January 1, 2016	(Charged) Credit for the period to Profit or loss	As at December 31, 2016
<u>Deferred tax assets</u>			
Long - term loan to related company	3,768,822.18	(276,091.81)	3,492,730.37
Employee benefit obligations	4,271,084.27	223,414.73	4,494,499.00
Total	8,039,906.45	(52,677.08)	7,987,229.37

	Unit : Baht		
	As at January 1, 2015	(Charged) Credit for the period to Profit or loss	As at December 31, 2015
<u>Deferred tax assets</u>			
Long - term loan to related company	3,935,861.96	(167,039.78)	3,768,822.18
Employee benefit obligations	3,988,686.28	282,397.99	4,271,084.27
Total	7,924,548.24	115,358.21	8,039,906.45
<u>Deferred tax liabilities</u>			
Property plant and equipment	(180,558.96)	180,558.96	-
Net	7,743,989.28	295,917.17	8,039,906.45

**11.2 Income tax expenses for the year are as follows:**  
Income tax recognized in profit or loss

	Unit : Baht	
	2016	2015
<u>Current income tax</u>		
Corporate income tax charge for the year	3,564,721.76	4,907,407.67
<u>Deferred tax</u>		
Deferred tax expense relating to the original and reversal of temporary differences	52,677.08	(295,917.17)
Income tax expenses	<u>3,617,398.84</u>	<u>4,611,490.50</u>

11.3 Reconciliation for the effective tax rate

	For the year ended December 31,			
	2016		2015	
	Tax rate (%)	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)
Profit before income tax		14,507,030.19		17,614,877.24
Tax expense	20%	2,901,406.04	20%	3,522,975.45
Tax effect of expenses that are not deductible for tax purposes:		715,992.80		1,088,515.05
Tax expense (effective rate)	25%	<u>3,617,398.84</u>	26%	<u>4,611,490.50</u>

Tax rate

Current income tax

The Company calculated income tax from net profit for the year after adjust non-taxable expenses and revenue in accordance with the Revenue Code.

The main adjustment items are allowance for doubtful accounts, employee benefit obligations and expenses were not in compliance with the Revenue Code.

On January 22, 2016, The National Legislative Assembly has approved a reduction of the corporate income tax rate from 30% to 20% of net taxable profit for the accounting period which begins on or after January 1, 2016.

Deferred tax

Deferred tax has been measured using the effective rate at 20% announced by the government at reporting date.

**12. BANK OVERDRAFT**

The Company had overdraft credit lines of Baht 25 million from two local commercial banks with interest at the rate of MOR. The loans were secured by pledging its saving account amounting to Baht 5 million and 20 million other common collateral with long - term loan from financial institution as described in Note 14 to the financial statement.

**13. TRADE ACCOUNTS AND OTHER PAYABLES**

Trade accounts and other payables, consist of.-

	Unit : Baht	
	2016	2015
<u>Trade accounts payables</u>		
Trade accounts payables	10,656,110.98	11,934,967.93
Note payables	284,214.85	511,325.50
Total trade accounts payables	<u>10,940,325.83</u>	<u>12,446,293.43</u>
<u>Other payables</u>		
Accrued expenses	14,253,480.91	18,237,667.17
Accrued bonus expenses	2,457,000.00	12,000.00
Accrued salary and doctor fees expenses	5,083,064.00	6,275,912.00
Deferred Income	1,463,774.20	2,193,377.12
Assets payable	17,480.50	935,785.20
Other payables	554,244.90	536,249.55
Total other payables	<u>23,829,044.51</u>	<u>28,190,991.04</u>
Total trade account and other payables	<u>34,769,370.34</u>	<u>40,637,284.47</u>

**14. LONG - TERM LOANS FROM FINANCIAL INSTITUTIONS - NET**

Long - term loans from financial institutions - net, consist of.-

		Unit : Baht	
		2016	2015
Long - term loans beginning balance		68,340,000.00	73,887,000.00
<u>Add</u> Receipt during the year		3,794,024.00	-
<u>Less</u> Repayment during the year		(8,832,000.00)	(5,547,000.00)
Total long - term loans		63,302,024.00	68,340,000.00
<u>Less</u> Current portion		(10,952,000.00)	(8,832,000.00)
Net		52,350,024.00	59,508,000.00

Long - term loans from financial institutions details and conditions are as follows :

Loan facilities

(million baht)	Objective	Interest rate	Detail of payment
40	Re-finance	MLR less fixed rate	Monthly installment of Baht 371,000 completed within 9 years from the first installment commencing from October, 2014.
35	Purchase of assets and hospital's cost construction	MLR less fixed rate	Monthly installment of Baht 365,000 completed within 9 years from the first installment commencing from October, 2015.
50	Hospital renovation and purchase of assets	MLR less fixed rate	Monthly installment of Baht 530,000 completed within 9 years from the first installment commencing from sign contract.

The abovementioned loans were guaranteed by mortgaged its land and the present and to be built in the future of its property as collaterals.

As at December 31, 2016, the Company had unutilized long - term loan facility of Baht 46.21 million.

**15. LIABILITIES UNDER HIRE PURCHASE CONTRACT - NET**

Liabilities under hire purchase contract - net are as follow.-

		Unit : Baht	
		2016	2015
Liabilities under hire purchase contract		1,370,629.00	-
<u>Less</u> Deferred interest		(232,284.12)	-
Present value of minimum lease payment		1,138,344.88	-
<u>Less</u> Current portion		(198,132.38)	-
Net		940,212.50	-

Movement in liabilities under hire - purchase agreements are as follows :-

		Unit : Baht	
		2016	2015
Beginning balance of the year		-	-
Increase for the year		1,393,860.00	-
Repayment during the year		(23,231.00)	-
Ending balance of the year		1,370,629.00	-

**16. LIABILITIES UNDER FINANCE LEASE CONTRACT - NET**

The Company has entered into finance lease agreements for its vehicles with a company for a period of 5 years. The rental payment was on monthly basis commencing from September 2015. The agreement allow the Company to buy the leased asset at the end of the lease term as follows:

	Unit : Baht	
	2016	2015
Liabilities under finance lease contract	5,367,120.00	6,830,880.00
<u>Less</u> Deferred interest	(642,335.11)	(991,266.34)
Present value of minimum lease payment	4,724,784.89	5,839,613.66
<u>Less</u> Current portion	(1,184,866.01)	(1,114,828.78)
<u>Net</u>	<u>3,539,918.88</u>	<u>4,724,784.88</u>

	Unit : Baht	
	2016	2015
Present value of minimum lease payment		
Less than 1 year	1,184,866.01	1,114,828.78
More than 1 year but less than 5 year	3,539,918.88	4,724,784.88
<u>Total</u>	<u>4,724,784.89</u>	<u>5,839,613.66</u>

**17. EMPLOYEE BENEFIT OBLIGATIONS - NET**

The Company operates postemployment benefit and pension based on the requirement of the Thai Labour Protection Act B.E. 2541 to provide retirement benefits and other long - term benefits to employees based on pensionable remuneration and length of services.

Movement in the present value of the employee benefits obligations consist of;

	Unit : Baht	
	2016	2015
Opening balance as at January 1,	21,355,421.38	19,943,431.38
Current service cost	757,208.62	909,785.00
Interest cost	359,865.00	502,205.00
Ending balance as at December 31,	22,472,495.00	21,355,421.38
<u>Less</u> Current portion	<u>(12,250,000.00)</u>	<u>(12,250,000.00)</u>
<u>Employee benefit obligations - net</u>	<u>10,222,495.00</u>	<u>9,105,421.38</u>

	Unit : Baht	
	2016	2015
The expense is recognized in the following line items in the profit or loss:		
Profit or loss		
Cost of hospital operations	218,588.00	293,070.00
Administrative expense	466,602.62	541,619.00
Management's remuneration	431,883.00	577,301.00
<u>Total</u>	<u>1,117,073.62</u>	<u>1,411,990.00</u>

Principal actuarial assumptions at the reporting date are as follows:

Discount rate	3.88%
Disability rate	5%
Salary increase rate	5%
* Employee turnover rate	0.00% - 30.00%
**Mortality rate	80% of TMO2008
Retirement age (year)	60

\*Upon the length of service

\*\* Reference from TMO2008 : Thai Mortality Ordinary Table of 2008



**17. EMPLOYEE BENEFIT OBLIGATIONS - NET (Con't)**

Amounts of defined benefit obligation for the current and previous four-periods are as follows:

	Unit : Baht
	Defined benefit obligation
2016	22,472,495.00
2015	21,355,421.38
2014	19,943,431.38
2013	16,476,841.38
2012	16,811,239.36

**18. LEGAL RESERVE**

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

At present, the legal reserve has fully been set aside.

**19. DIVIDEND PAID**

On April 28, 2016, the annual shareholders' meeting of 2016 resolved to pay dividend from profit for the year 2015 at Baht 0.50 per share, totaling Baht 5 million, which was to be paid on May 26, 2016.

On April 23, 2015, the annual shareholders' meeting of 2015 resolved to pay dividend from profit for the year of 2014 at Baht 0.35 per share, totaling Baht 3.50 million, which was to be paid on May 19, 2015.

**20. EXPENSES BY NATURE**

Significant expenses classified by nature consist of:-

	Unit : Baht	
	2016	2015
Employee expenses	128,993,991.19	131,275,950.72
Management benefit expenses	21,527,932.00	20,658,205.00
Medicines and medical supplies	31,396,613.01	38,270,890.77
Artificial kidney expenses	33,262,405.50	30,132,018.50
Depreciation and amortization expenses	20,491,165.52	18,278,427.03
Finance cost	3,915,624.62	3,811,153.69

**21. EARNINGS PER SHARE**

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

	Unit : Baht	
	2016	2015
Net profit for the year (basic) (Baht)	10,889,631.35	13,003,386.74
Number of ordinary shares outstanding (Share)	10,000,000.00	10,000,000.00
Earning per share (basic) (Baht)	1.09	1.30

**22. OPERATION SEGMENT**

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

Management considers that the Company operates in a single line of business, namely the hospital and medical trading business, and has therefore only one business segment.

Management considers that the Company operates in a single geographic area, namely in Thailand, and has therefore, only one major geographic segment.

As a result, all of the revenues, operating profits and assets reflected in these financial statements are related to the referred business and geographical segment.

**23. PROVIDENT FUND**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and its employees contributed to the fund monthly at the rate of 2 - 6 percent of their basic salary. The fund, which is managed by Finansia Asset Management Limited will be paid to employees upon termination in accordance with the fund rules. For the year ended December, 2016 and 2015, the Company contributed Baht 2.36 million and 2.18 million respectively.

**24. DISCLOSURE 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:

**24.1 Accounting policies**

The related accounting policies are disclosed in notes 4.16 to financial statements.

**24.2 Financial risk management**

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company did not speculate or engage in the trading of any derivative financial instrument.

**24.3 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.

**24.4 Interest rate risk**

The Company exposure to interest rate risk relates primarily to its deposits with financial institutions, temporary investments, long-term loan to related company, bank overdrafts, loan-terms with interest, hire purchase contract and financial lease and loans from related persons. However, since interest rates of the majority of these financial assets and liabilities vary according to market rates or are fixed and closed to market rates, the Company management deemed its interest risk at low level. The Company thus do not use derivative financial instruments to hedge such risk.

The Company have the assets and liabilities to financial statements interest rate as follows.-

As at December 31, 2016 (Unit : Baht)

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	17,063,404.79	18,642,796.07	35,698,402.06	0.125 - 0.75
Cash at bank held as collateral	-	-	-	5,020,000.00	-	5,020,000.00	0.50
<b>Financial liabilities</b>							
Bank overdraft	-	-	-	887,390.36	-	887,390.36	MOR
Long-term loan from financial institution	-	-	-	68,302,024.00	-	68,302,024.00	MLR - 2.00
Liabilities under finance lease contract	1,184,866.01	3,539,918.88	-	-	-	4,724,784.89	6.70
Liabilities under hire purchase contract	198,132.38	940,212.49	-	-	-	1,138,344.87	7.69

As at December 31, 2015 (Unit : Baht)

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	28,779,295.54	3,503,237.39	32,282,532.93	0.30 - 0.50
Temporary investments	-	-	-	160,920.71	-	160,920.71	1.50
Cash at bank held as collateral	641,715.19	-	-	5,020,000.00	-	5,661,715.19	0.375, 1.50
<b>Financial liabilities</b>							
Bank overdraft	-	-	-	2,174,123.01	-	2,174,123.01	MOR
Short-term loans from related persons	7,000,000.00	-	-	-	-	7,000,000.00	7.37
Long-term loan from financial institution	-	-	-	68,340,000.00	-	68,340,000.00	MLR - 2.00
Liabilities under finance lease contract	1,114,828.78	4,724,784.88	-	-	-	5,839,613.66	6.70

## 24.5 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the incurrence of a financial loss. The Company has a policy to maintain liquidity risk which may occur. The Company has sufficient credit lines to fund its operations that are provided by related persons and commercial banks.

## 24.6 Fair value of financial instruments

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. Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as trade in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique. Since the majority of the Company financial assets and liabilities are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

## 25. COMMITMENT AND CONTINGENT LIABILITIES

The Company had commitments and were in possession of contingent liabilities as follows:-

## 25.1 Letters of guarantees issued by banks as follows:-

	Unit : Baht	
	2016	2015
Guarantee its medical services	2,190,000.00	2,269,000.00
Guarantee the utilization of electricity with Metropolitan Electricity Authority	1,200,000.00	600,000.00
Guarantee the radio and signal usage agreement	20,000.00	20,000.00
Total	3,410,000.00	2,889,000.00

## 25.2 As at December 31, 2016 and 2015, the Company had commitment in respect of long-term operating lease agreements amounting to Baht 1.03 million and 2.22 million respectively for each year are as follows :-

	Unit : Baht	
	2016	2015
Less than 1 year	875,219.98	1,275,399.99
Over 1 year not over 5 year	156,950.03	942,170.00

25.3 As at December 31, 2016 and 2015, The Company has capital commitments from building design and renovation and equipment purchase amounting to Baht 2.17 million and Baht 3.01 million respectively.

25.4 In 2015, the Company was sued by a patient for a claim for the loss from the medical treatment amounting to Baht 7 million. On August 16, 2016, the First Court of Udon Thani had dismissed the case and the plaintiff did not appeal to the Court within the due period which resulted the Court case to an end.

**26. 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, 2016 and 2015 Debt-to-Equity ratios in the financial statements were 0.40 : 1 and 0.47 : 1 respectively.

**27. EVENT AFTER REPORTING PERIOD**

By the directors' meeting on February 27, 2017, it was approved to propose to the shareholders to distribute dividend from retained earnings of 2016 at Baht 0.50 per share, totaling Baht 5 million.

**28. AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's Board of Directors on February 27,

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