

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

INDEPENDENT AUDITOR'S REPORT

To The Shareholders and Board of Directors of
Aikchol Hospital Public Company Limited

Opinion

I have audited the financial statements of Aikchol Hospital Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Aikchol Hospital Public Company Limited as at December 31, 2019, and its financial performance and its 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' 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters

Revenue recognition from general medical treatment

The revenue from medical service is the core transaction that affects the operation and has material value, representing 73% of total revenues. The revenue from hospital operations has several components such as revenues from sales of medicine and medical supplies, revenues from medical services, revenues from patient rooms, etc. Therefore, I have paid special attention with respect to the amount, value and timing of the Company's revenue recognition.

I audited the revenue recognition from medical treatment by assessing the appropriateness and testing the effectiveness of the internal control system with respect to the revenue cycle by making enquiries of the responsible persons, gaining an understanding and selecting samples to test the operation of the designed controls. In addition, I random audited the supporting documents for medical fee transactions that occurred during the year and near the end of the reporting period. I also audited credit notes that the Company issued after the end of the period. In addition, I performed comparative data analysis of subdivide revenue account to detect possible irregularities in medical fee transactions throughout the period, particularly for accounting entries made through journal vouchers.

Revenue recognition of medical treatment from Social Security

The Company has medical treatment revenue from the Social Security Office on the part of the insured who select medical treatment at the hospital and in-patient cases burden with high-cost diseases as presented in the financial statements, representing 24% of total revenues. Receiving money from such revenue in each time has to be approved from the Social Security Office and the consideration process by the Social Security Office takes long time. Regarding the measuring process of the revenue amount to be recognized, it requires significant judgment of the management due to the uncertainty related to the amount to be received which depends on the allocation of the Social Security Office in each year. The Company will receive cash income from the Social Security Office according to the method of calculation and rate determined by the announcement of the Medical Board issued under the Social Security Act, B.E. 2533. To ensure that the medical service fee revenue from social security is recognized in the accounts correctly and appropriately. Accordingly, I have paid special attention to the revenue recognition of medical service fee from social security because the transaction is a risk to the financial statements.

I made an understanding for the process of estimating the medical service revenue for in-patient cases with burden of high-cost disease by investigating the sources and reliability of the insured persons' information used in calculating the revenue estimate, assessing the appropriateness of the severity rate of the disease by comparing with the rules, method and conditions as announced by the Social Security Office, testing the completeness of the recording of the use of Social Security service against the recording system of the Social Security, testing the accuracy of the estimates of the management by comparing between the basis of the management and the basis, procedures and conditions announced by the Social Security Office and testing the items in the journal entries prepared by the management with respect to the recognition of revenue estimate. This also includes comparing of receipts during the period and analyzing the difference cause compared to the estimated medical service revenue and reviewing the receiving of medical service fee for the cases with burden of high-cost disease after the end of the accounting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's

report thereon. The annual report 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 will 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, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order for those charged with governance to correct 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, 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 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 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.

- 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 also provide those charged with governance with a statement that we 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 Miss Roongnapha Saengchan.



(Miss Roongnapha Saengchan)

Certified Public Accountant

Registration No. 10142

Dharmniti Auditing Company Limited
Bangkok, Thailand
February 13, 2020

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

		<u>ASSETS</u>	
		Baht	
	Note	2019	2018
Current assets			
Cash and cash equivalents	7	708,143,626	642,366,984
Current investments	8	1,386,731	62,296
Trade accounts receivable	9	66,287,969	72,302,416
Accrued income		82,604,621	85,237,223
Inventories	10	53,840,004	47,633,289
Other current assets		3,852,959	3,547,502
Total current assets		916,115,910	851,149,710
Non-current assets			
Fixed deposit pledge as collateral	8	22,427,200	23,460,761
Long-term investment	8	171,666,495	164,666,502
Property, plant and equipment	11	756,588,718	757,580,833
Intangible assets	12	38,748,932	43,505,728
Other non-current assets		189,190	689,189
Total non-current assets		989,620,535	989,903,013
Total assets		1,905,736,445	1,841,052,723

Notes to financial statements form an intergral part of these statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Baht	
		2019	2018
Current liabilities			
Trade accounts payable		78,441,540	75,051,656
Other payable		6,037,401	3,876,456
Accrued expenses	14	85,765,590	117,301,018
Accrued income tax expenses		6,884,771	5,559,436
Other current liabilities	15	22,421,653	18,816,999
Total current liabilities		199,550,955	220,605,565
Non-current liabilities			
Deferred tax liabilities	13	20,410,773	23,022,276
Employee benefits obligation	16	66,041,927	46,047,616
Total non-current liabilities		86,452,700	69,069,892
Total liabilities		286,003,655	289,675,457

Notes to financial statements form an intergral part of these statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

	Baht	
	2019	2018
Shareholders' equity		
Share capital		
Authorised share capital		
150,000,000 ordinary shares of Baht 1 each	150,000,000	150,000,000
Issued and paid-up share capital		
149,909,264 ordinary shares of Baht 1 each	149,909,264	149,909,264
Share premium	74,000,000	74,000,000
Retained earnings		
Appropriated to legal reserve	14,990,926	14,990,926
Unappropriated	1,245,259,401	1,182,503,871
Other components of equity		
Unrealised gain on long-term investments	135,573,199	129,973,205
Total shareholders' equity	1,619,732,790	1,551,377,266
Total liabilities and shareholders' equity	1,905,736,445	1,841,052,723

Notes to financial statements form an intergral part of these statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Baht	
		2019	2018
Revenues			
Medical service income		1,656,021,463	1,636,781,435
Other income	19	40,748,463	34,989,541
Total revenues		1,696,769,926	1,671,770,976
Expenses			
Cost of medical services		1,434,308,163	1,383,684,179
Administrative expenses		97,276,308	113,568,493
Total expenses		1,531,584,471	1,497,252,672
Profit before income tax expenses		165,185,455	174,518,304
Income tax expenses	21	32,039,053	33,802,618
Profit for the year		133,146,402	140,715,686
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on long-term investment		6,999,993	25,333,308
Income tax relating to be reclassified	21	(1,399,999)	(5,066,661)
		5,599,994	20,266,647
Item that will not be reclassified to profit or loss			
Gain from changing actuarial estimates		1,705,970	-
Income tax relating to be reclassified	21	(341,194)	-
		1,364,776	-
Other comprehensive income for the year		6,964,770	20,266,647
Total comprehensive income for the year		140,111,172	160,982,333
Basic earnings per share (Baht per share)	25	0.89	0.94

Notes to financial statements form an intergral part of these statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Baht					
	Issued and paid-up share capital	Share premium	Retained earnings		Other components equity	Total
			Appropriated to legal reserve	Unappropriated	Unrealised gain from long-term investment	shareholders' equity
Beginning balance as at January 1, 2019	149,909,264	74,000,000	14,990,926	1,182,503,871	129,973,205	1,551,377,266
Dividend	-	-	-	(71,755,648)	-	(71,755,648)
Profit for the year	-	-	-	133,146,402	-	133,146,402
Other comprehensive income-net from income tax	-	-	-	-	5,599,994	5,599,994
Gain on long-term investment	-	-	-	1,364,776	-	1,364,776
Gain from changing actuarial estimates	-	-	-	-	-	-
Balance at December 31, 2019	149,909,264	74,000,000	14,990,926	1,245,259,401	135,573,199	1,619,732,790
Beginning balance as at January 1, 2018	149,909,264	74,000,000	14,990,926	1,107,564,196	109,706,558	1,456,170,944
Dividend	-	-	-	(65,776,011)	-	(65,776,011)
Profit for the year	-	-	-	140,715,686	-	140,715,686
Other comprehensive income-net from income tax	-	-	-	-	20,266,647	20,266,647
Gain on long-term investment	-	-	-	-	-	-
Balance at December 31, 2018	149,909,264	74,000,000	14,990,926	1,182,503,871	129,973,205	1,551,377,266

Notes to interim financial statements form an integral part of these statements.

**AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED****STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht	
	2019	2018
Cash flows from operating activities		
Profit for the year	133,146,402	140,715,686
Reconciliations of net income to net cash received (paid)		
from operating activities :		
Depreciation and amortization	63,326,616	60,451,677
Interest income	(7,370,280)	(5,573,619)
Bad debt written off and allowance for doubtful accounts	594,172	1,185,205
Gain on sale of fixed assets	(120,962)	(19,992)
Loss on assets written off	335,937	241,319
Dividend income	(2,933,330)	(2,399,997)
Employee benefits obligation cost	24,526,215	8,672,090
Income tax expense	32,039,053	33,802,618
Profit provided by operating before in operating	243,543,823	237,074,987
(Increase) decrease in operational assets		
Trade accounts receivable	5,420,275	1,593,531
Accrued income	2,633,056	(277,347)
Inventories	(6,206,715)	(2,659,012)
Other current assets	(305,458)	(299,458)
Other non-current assets	499,999	(624,999)
Increase (decrease) in operational liabilities		
Trade accounts payable	3,389,884	(918,906)
Accrued expenses	(31,535,428)	644,458
Other current liabilities	3,604,654	(15,291,351)
Cash flows received operating activities	221,044,090	219,241,903
Income tax paid	(35,066,414)	(41,638,770)
Employee benefits paid	(2,825,934)	(4,256,150)
Net cash provided by operating activities	183,151,742	173,346,983

Notes to financial statements form an intergral part of these statements.

**AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED****STATEMENTS OF CASH FLOWS (CONT.)****FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht	
	2019	2018
Cash flows from investing activities		
Interest received	7,369,827	5,568,453
Dividend received	2,933,330	2,399,997
(Increase) decrease in current investments	(1,324,435)	100,932,425
(Increase) decrease in fixed deposit pledge as collateral	1,033,561	(322,565)
Purchase of land, plant and equipment	(55,409,830)	(30,403,265)
Purchase of intangible assets	(687,935)	(9,980,304)
Sale of equipment	177,130	25,154
Receipt from purchase of intangible assets	288,900	-
Net cash provided by (used in) investing activities	(45,619,452)	68,219,895
Cash flows from financing activities		
Dividends paid	(71,755,648)	(65,776,011)
Net cash used in financing activities	(71,755,648)	(65,776,011)
Net increase (decrease) in cash and cash equivalents	65,776,642	175,790,867
Cash and cash equivalents at beginning of the year	642,366,984	466,576,117
Cash and cash equivalents at end of the year	708,143,626	642,366,984
<u>Supplement disclosures of cash flows information</u>		
Reconciliation of proceed from purchase of property, plant and equipment		
Purchase of property, plant and equipment	(57,570,775)	(33,189,836)
Other payable from acquisition of fixed asset increase	2,160,945	2,786,571
Cash paid from purchase of property, plant and equipment	(55,409,830)	(30,403,265)

Notes to financial statements form an intergral part of these statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. GENERAL INFORMATION

Aikchol Hospital Public Company Limited, “the Company”, is incorporated in Thailand. A registered office is at 68/3 Moo 2, Phrayasatja Road, Amphoe Muang, Cholburi and a branch is at 31/2 Moo 3, Tambol Samed, Amphoe Muang, Cholburi. The Company operates in Cholburi Province. And it is well known in medical and nursing care services under the trademark namely, “Aikchol Hospital”.

The Company was listed on the Stock Exchange of Thailand on January 10, 1992.

The principal activities of the Company are providing full hospital services including diseases protection, medical treatment, health strengthening and health rehabilitation services with 340 beds in service.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with the Thai financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E.2543.

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

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

3. FINANCIAL REPORTING STANDARDS THAT BECAME EFFECTIVE IN THE CURRENT YEAR

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

4. FINANCIAL REPORTING STANDARDS THAT WILL BECOME EFFECTIVE IN THE FUTURE

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

Financial reporting standards related to financial instruments:

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

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

TFRS 16 Leases

These TFRSs supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances, savings accounts and current accounts and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.2 Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts (if any).

The allowance for doubtful accounts is estimated losses are based on a percentage of outstanding receivables classified by aging of accounts receivable. Assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

5.3 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

5.4 Investment

Investment in debt securities which the Company intent and able to hold investment in debt securities to maturity is classified in current investment. Investment in debt securities is stated at amortisation cost net from impairment loss (if any). Interest income is recognized by using the effective interest rate method in statement of comprehensive income.

Investment in equity security in a marketable equity security is classified as being available-for-sale and is stated at fair value, with any resultant gain or loss being recognised directly in equity, and recorded as gains as losses in the statement of comprehensive income when the securities are sold.

The fair value of security available for sale is determined as the quoted bid price at the statement of financial position date.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

5.5 Property, plant and equipment

Property at cost, plant and equipment are stated at cost less accumulated depreciation.

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company (if any).

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:-

Buildings and building improvements	10 - 50	Years
Medical equipment	10	Years
Furniture and fixtures	5 - 10	Years
Office equipment	5 - 10	Years
Vehicles	8 - 10	Years

The Company has reviewed the residual value and useful life of the assets on a regular basis.

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

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

5.6 Intangible asset

Computer software with finite useful lives are stated at cost less accumulated amortization and allowance on impairment (if any).

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the period for which the Computer software are expected to generate economic benefit from 5 to 10 years

5.7 Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of comprehensive income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognised in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

5.8 Trade and other accounts payable

Trade and other accounts payable are stated at cost.

5.9 Provision

A provision is recognised 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5.10 Employee benefits

Short-term employment benefits

The Company recognizes salary, wage, bonus and contributions to social security fund and provident fund as expenses when incurred.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

Post-employment benefits (Defined benefit plans)

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

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

The obligation under the defined benefit plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately in other comprehensive income.

5.11 Revenue

Revenue from medical service is exempt from value added taxes and is arrived at after deduction of trade discounts.

Revenues from medical service

Revenues from medical service, mainly consisted of medicine and medical supplies, patient room service charge, medical profession charge and other service are recognised as income when the services are delivered, based on an accrual basis.

Revenues from social security is recognised on an accrual basis.

Interest and dividend income

Interest income is recognised in the statement of comprehensive income as it accrues. Dividend income is recognised in the statement of comprehensive income on the date the Company's right to receive payments established. In the case of quoted securities is usually the ex-dividend date.

Others income

Others income is recognised on an accrual basis.

5.12 Expense

Expenses are recognised on an accrual basis.

5.13 Operating lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

5.14 Income tax

Current tax

The Company records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates at 20% of profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

Deferred tax

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expense which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities.

Deferred tax assets and liabilities are measured at the tax rates that the Company expect to apply to the period when the deferred tax assets are realized or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

5.15 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect amounts reported in the financial statements and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

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

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

Accrued revenues from hospital operations

In determining the certain amount of receivable from the social security office provided to patients with severe diseases and of chronic diseases. In this regard, the amount of such income are set, adjusted and accrued based on the latest actual collection within current relative circumstances.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

In recording the initial recognition and measurement of intangible assets as at the acquired date and subsequent impairment testing, the management is required to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

Post-employment benefits under defined benefit plans

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

6. SEASONAL OPERATION

The company's business is not affected significantly by seasonal or cyclical factor during the year.

7. CASH AND CASH EQUIVALENTS

Consisted of :-

	Baht	
	2019	2018
Cash on hand	2,960,366	1,779,568
Cash at bank - savings accounts and current accounts	240,695,813	135,747,683
Short-term investment not over 3 months	464,487,447	504,839,733
Total	708,143,626	642,366,984

As at December 31, 2019 and 2018, cash at bank-savings accounts have interest at the floating rates at 0.38% per annum and 0.38% per annum, respectively.

As at December 31, 2019 and 2018, short-term investment is investment in government securities money market mutual funds with high liquidity which has return at the rate of 1.25% and 1.17%, respectively. Investment units are stated at fair value.

8. INVESTMENTS

Consisted of :-

	Baht	
	2019	2018
Current investment		
Fixed deposit	1,323,888	-
Mutual fund fixed income (hold to maturity within 1 year)	62,843	62,296
Total	1,386,731	62,296
Fixed deposit pledge as collateral		
Fixed deposit pledge as collateral	22,427,200	23,460,761
Total	22,427,200	23,460,761
Long-term investment		
Equity security available for sale	171,666,495	164,666,502
Total	171,666,495	164,666,502

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As at December 31, 2019 and 2018, fixed deposits have interest rate at 1.00% per annum and 1.25% per annum, respectively, and investment in mutual fund fixed income which the Company intends to hold to maturity within 1 year and has return at the rate of 0.79% per annum and 0.63% per annum, respectively.

As at December 31, 2019 and 2018, fixed deposits in the amount of Baht 22.43 million and 23.46 million, are pledged as collateral for the letters of guarantee issued by a commercial bank.

As at December 31, 2019 and 2018, the Company invests in available for sale securities. Investment units are stated at fair value.

Equity security available for sale consisted of:-

	Holding of interest (%)		Million Baht			
	2019	2018	2019		2018	
			Cost	Market value	Cost	Market value
Bangkok Dusit Medical Services Plc.	0.06	0.06	2.20		2.20	164.67
<u>Add</u> unrealised gain from revaluation of security			<u>169.47</u>		<u>162.47</u>	
Total			<u>171.67</u>		<u>164.67</u>	

9. TRADE ACCOUNTS RECEIVABLE

Consisted of :-

	Baht	
	2019	2018
Within credit terms	49,763,723	54,605,621
Overdue:		
Less than 3 months	14,339,336	14,725,854
3-6 months	1,809,246	2,497,606
6-12 months	753,025	1,047,979
Over 12 months	993,344	732,866
	<u>67,658,674</u>	<u>73,609,926</u>
<u>Less</u> allowance for doubtful accounts	<u>(1,370,705)</u>	<u>(1,307,510)</u>
Net	<u>66,287,969</u>	<u>72,302,416</u>

The normal credit term granted by the Company ranges from 30 days to 120 days.

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

10. INVENTORIES

Consisted of :-

	Baht	
	2019	2018
Medicine and medical supplies	45,038,667	39,935,381
Supplies	8,801,337	7,697,908
Total	53,840,004	47,633,289

11. PROPERTY, PLANT AND EQUIPMENT

Consisted of :-

	Baht				
	Balance per book as at Dec. 31, 2018	Additions	Transfer in (Transfer out)	Deductions	Balance per book as at Dec. 31, 2019
<u>Cost</u>					
Land	108,160,300	-	-	-	108,160,300
Buildings and building improvement	917,675,140	4,253,365	17,463,129	(467,737)	938,923,897
Medical equipment	299,339,560	13,289,164	-	(11,577,294)	301,051,430
Furniture and fixture	34,078,539	630,664	-	(250,957)	34,458,246
Office equipment	64,241,870	6,787,946	168,196	(1,576,201)	69,621,811
Vehicles	22,747,174	400,000	-	(508,250)	22,638,924
Assets under construction and installation	19,017,784	32,209,636	(17,460,125)	-	33,767,295
Total	1,465,260,367	57,570,775	171,200	(14,380,439)	1,508,621,903
<u>Less accumulated depreciation</u>					
Buildings and building improvement	393,096,125	32,462,536	171,200	(408,892)	425,320,969
Medical equipment	218,313,369	18,912,597	-	(11,367,697)	225,858,269
Furniture and fixture	30,532,297	752,224	-	(245,794)	31,038,727
Office equipment	49,443,413	4,656,333	-	(1,457,702)	52,642,044
Vehicles	16,294,330	1,387,095	-	(508,249)	17,173,176
Total	707,679,534	58,170,785	171,200	(13,988,334)	752,033,185
Net	757,580,833				756,588,718

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

	Baht				Balance per book as at Dec. 31, 2018
	Balance per book as at Dec. 31, 2017	Additions	Transfer in (Transfer out)	Deductions	
<u>Cost</u>					
Land	108,160,300	-	-	-	108,160,300
Buildings and building improvement	901,317,230	7,051,481	9,662,180	(355,751)	917,675,140
Medical equipment	298,015,809	3,538,276	-	(2,214,525)	299,339,560
Furniture and fixture	33,645,225	704,057	-	(270,743)	34,078,539
Office equipment	62,293,367	2,987,171	59,056	(1,097,724)	64,241,870
Vehicles	22,747,174	-	-	-	22,747,174
Assets under construction and installation	9,830,169	18,908,851	(9,721,236)	-	19,017,784
Total	<u>1,436,009,274</u>	<u>33,189,836</u>	<u>-</u>	<u>(3,938,743)</u>	<u>1,465,260,367</u>
<u>Less accumulated depreciation</u>					
Buildings and building improvement	362,569,518	30,878,971	-	(352,364)	393,096,125
Medical equipment	201,510,258	18,815,304	-	(2,012,193)	218,313,369
Furniture and fixture	29,763,004	1,036,808	-	(267,515)	30,532,297
Office equipment	45,598,051	4,905,552	-	(1,060,190)	49,443,413
Vehicles	14,867,573	1,426,757	-	-	16,294,330
Total	<u>654,308,404</u>	<u>57,063,392</u>	<u>-</u>	<u>(3,692,262)</u>	<u>707,679,534</u>
Net	<u>781,700,870</u>				<u>757,580,833</u>

Depreciation of the plant and equipment for the years ended December 31, 2019 and 2018 which were included in cost of medical services and administrative expenses, consisted of :-

	Baht	
	2019	2018
Cost of medical services	51,360,793	49,677,286
Administrative expenses	6,809,992	7,386,106
Total	<u>58,170,785</u>	<u>57,063,392</u>

As at December 31, 2019 and 2018, certain equipment and vehicle items of the Company have been fully depreciated but are still in use of cost in amount of Baht 289.91 million and Baht 285.45 million, respectively.

A portion of land, building and construction in progress, including future construction were pledged as collateral security for the long-term loan and a bank overdraft with a net book value as at December 31, 2019 and 2018 of approximately amounted of Baht 567.22 million and Baht 584.27 million, respectively.

As at December 31, 2019 and 2018, the Company covered All Risks Insurance Policy (ARIP) with an insurer. The sum insured has already been covered the value of the assets. The ARIP is renewed on an annual basis and a portion of proceeds from insurance claims under the ARIP.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

12. INTANGIBLE ASSETS

Consisted of :-

	Baht			
	Balance per book as at Dec. 31, 2018	Additions	Transfer in (Transfer out)	Balance per book as at Dec. 31, 2019
<u>Cost</u>				
Computer software	71,721,891	687,935	(288,900)	72,120,926
<u>Less accumulated amortization</u>	28,216,163	5,155,831	-	33,371,994
Net	<u>43,505,728</u>			<u>38,748,932</u>

	Baht			
	Balance per book as at Dec. 31, 2017	Additions	Transfer in (Transfer out)	Balance per book as at Dec. 31, 2018
<u>Cost</u>				
Computer software	33,252,837	3,062,754	35,406,300	71,721,891
Computer software in progress	28,488,750	6,917,550	(35,406,300)	-
Total	61,741,587	9,980,304	-	71,721,891
<u>Less accumulated amortization</u>	24,827,878	3,388,285	-	28,216,163
Net	<u>36,913,709</u>			<u>43,505,728</u>

Amortisation of intangible assets for the years ended December 31, 2019 and 2018, which were included in cost of medical services and administrative expenses, consisted of :-

	Baht	
	2019	2018
Cost of medical services	4,882,442	3,156,439
Administrative expenses	273,389	231,846
Total	<u>5,155,831</u>	<u>3,388,285</u>

As at December 31, 2019 and 2018, certain intangible assets items of the Company have been fully amortised but they are still in used of cost in the amount of Baht 20.83 million and Baht 18.26 million, respectively.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Changes in deferred tax assets (liabilities) for the year ended December 31, 2019 and 2018 are summarized as follows:

	Baht				
	Balance as at	Revenue (expenses) during the year			Balance as at
	Dec. 31, 18	In profit or loss	In other comprehensive income		Dec. 31, 19
Deferred tax assets:					
Trade account receivables	261,502	12,639	-	274,141	
Employee benefit obligation	9,209,523	4,340,057	(341,194)	13,208,386	
Total	<u>9,471,025</u>	<u>4,352,696</u>	<u>(341,194)</u>	<u>13,482,527</u>	
Deferred tax liabilities:					
Unrealized gain on remeasuring available for sale					
Investments	(32,493,301)	-	(1,399,999)	(33,893,300)	
Total	<u>(32,493,301)</u>	<u>-</u>	<u>(1,399,999)</u>	<u>(33,893,300)</u>	
Deferred tax assets (liabilities)-net	<u>(23,022,276)</u>			<u>(20,410,773)</u>	

	Baht				
	Balance as at	Revenue (expenses) during the year			Balance as at
	Dec. 31, 17	In profit or loss	In other comprehensive income		Dec. 31, 18
Deferred tax assets:					
Trade account receivables	120,208	141,294	-	261,502	
Employee benefit obligation	8,326,335	883,188	-	9,209,523	
Total	<u>8,446,543</u>	<u>1,024,482</u>	<u>-</u>	<u>9,471,025</u>	
Deferred tax liabilities:					
Unrealized gain on remeasuring available for sale					
Investments	(27,426,640)	-	(5,066,661)	(32,493,301)	
Total	<u>(27,426,640)</u>	<u>-</u>	<u>(5,066,661)</u>	<u>(32,493,301)</u>	
Deferred tax assets (liabilities)-net	<u>(18,980,097)</u>			<u>(23,022,276)</u>	

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

14. ACCRUED EXPENSES

Consisted of :-

	Baht	
	2019	2018
Accrued directors and management's remuneration	-	4,400,000
Accrued doctor fee	43,439,108	45,851,389
Accrued wages	9,245,936	9,991,411
Accrued Bonus	12,233,997	37,711,217
Accrued electricity	972,902	1,000,755
Accrued expenses - Social Security	6,995,692	3,112,407
Accrued other expenses	12,877,955	15,233,839
Total	85,765,590	117,301,018

15. OTHER CURRENT LIABILITIES

Consisted of :-

	Baht	
	2019	2018
Withholding tax	2,081,316	1,882,751
Advance received	9,309,203	9,177,891
Retention payable	2,424,137	2,003,885
Others	8,606,997	5,752,472
Total	22,421,653	18,816,999

16. EMPLOYEE BENEFITS OBLIGATION
The statements of financial position

	Baht	
	2019	2018
Defined benefits obligations at beginning balance	46,047,616	41,631,676
Benefits paid by the plan	(2,825,934)	(4,256,150)
Gain from changing actuarial estimates	(1,705,970)	-
Past service costs and interest change a post		
- Employment plan amendment	12,804,826	-
Current service and interest costs	11,721,389	8,672,090
Defined benefits obligations at ending balance	66,041,927	46,047,616

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

Expenses recognised in statements of comprehensive income

	Baht	
	2019	2018
For the year ended December 31		
Past service costs and interest	12,804,826	-
Current service cost	10,453,582	7,697,289
Interest on obligation	1,267,807	974,801
Total	<u>24,526,215</u>	<u>8,672,090</u>

Principal actuarial assumptions at the reporting date

	%	
	2019	2018
Discount rate	2.44	2.44
Salary increase rate	6	6
Employee turnover rate	8 - 22	8 - 21
Disability rate	5**	5*

* reference to mortality rate in B.E. 2008

** reference to mortality rate in B.E. 2017

On April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
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Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2019 and 2018, are summarized below:

	Baht	
	2019	2018
Discount rate		
1% increase	(4,965,998)	(3,748,058)
1% decrease	5,716,485	4,307,596
Salary increase rate		
1% increase	6,046,802	4,954,592
1% decrease	(5,334,345)	(4,344,783)
Employee turnover rate		
1% increase	(5,549,555)	(4,196,185)
1% decrease	5,723,527	4,316,955

17. RESERVES AND LEGAL RESERVES

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

Unrealised gain/loss

Unrealised gain/loss recognised in shareholders’ equity relate to cumulative net changes in the fair value of available for sale investment.

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

AIKCHOL HOSPITAL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

18. DIVIDENDS
Year 2019

At The ordinary shareholders' meeting held on April 23, 2019, the shareholders approve the appropriation of dividend from operating results of 2018 of Baht 0.48 per share, 149.91 million shares, amounting to Baht 71.76 million. The dividend will be proposed to pay to shareholders on May 17, 2019.

Year 2018

At The ordinary shareholders' meeting held on April 23, 2018, the shareholders approve the appropriation of dividend from operating results of 2017 of Baht 0.44 per share, 149.91 million shares, amounting to Baht 65.78 million. The dividend will be proposed to pay to shareholders on May 18, 2018.

19. OTHER INCOME

Consisted of :-

	Baht	
	2019	2018
Revenue from sharing of kidney hemodialysis	12,342,900	12,976,562
Rental space income	9,212,714	8,304,393
Interest income	7,370,280	5,573,619
Others	11,822,569	8,134,967
Total	40,748,463	34,989,541

20. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2019 and 2018 are a follow:-

	Baht	
	2019	2018
Personnel	555,492,332	549,248,281
Directors and management's remuneration	30,447,642	32,187,834
Doctor fee	383,494,037	365,382,123
Medicine, medical supplies and supplies	291,099,879	279,430,353
Depreciation and amortisation	63,326,616	60,451,677
Others	207,723,965	210,552,404
Total	1,531,584,471	1,497,252,672

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
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21. INCOME TAX EXPENSE

21.1 Major components of tax expense

For the year ended December 31, 2019 and 2018 consisted of:

	Baht	
	2019	2018
Income tax expense shown in profit or loss :		
Current tax expense:		
Income tax expense for the year	36,391,749	34,827,100
Deferred tax expense :		
Changes in temporary differences relating to the original recognition and reversal	(4,352,696)	(1,024,482)
Total	32,039,053	33,802,618
Income tax relating to components of other comprehensive income:		
Deferred tax relating to:		
Remeasuring available for sale investments	1,399,999	5,066,661
Gain from changing actuarial estimates	341,194	-
Total	1,741,193	5,066,661

21.2 A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate

For the year ended December 31, 2019 and 2018 which are summarized as follows:

	Baht	
	2019	2018
Accounting profit for the year	165,185,455	174,518,304
The applicable tax rate (%)	20	20
Tax expense (income) at the applicable tax rate	33,037,091	34,903,661
Reconciliation items:		
Tax effect of expenses that are not deductible in determining tax profit:		
- Expenses not allowed as expenses in determining taxable profit	216,147	127,059
Tax effect of income or profit that are not required in determining taxable profit:		
Exemption of non - taxable dividend income	(586,666)	(480,000)
Other	(627,519)	(748,102)
Total reconciliation items	(998,038)	(1,101,043)
Total tax expense (income)	32,039,053	33,802,618

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

21.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate

For the year ended December 31, 2019 and 2018 are summarized as follows:

	Baht			
	2019		2018	
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)	Tax rate (%)
Accounting profit before tax expense for the year	165,185,455		174,518,304	
Tax expense at the applicable tax rate	33,037,091	20.00	34,903,661	20.00
Reconciliation items	(998,038)	(0.60)	(1,101,043)	(0.63)
Tax expense at the average effective tax rate	32,039,053	19.40	33,802,618	19.37

22. PROVIDENT FUND

The defined contribution plans comprise provident funds established by companies in the Company for their employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates 3% of their basic salaries and by the Company at rates 3% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager. The Company's contributions for the years ended December 31, 2019 and 2018 in the amount of to Baht 4.74 million and Baht 4.02 million, respectively.

23. DIRECTORS AND MANAGEMENT'S REMUNERATION

Directors and management's remuneration represent the benefits paid to the Company's directors and management such as salaries and related benefit including the benefit paid by other means. The Company's directors and management are the persons who are defined under the Securities and Exchange Act.

Directors of the Company is consisted of board of directors, audit committee and nomination and remuneration committee.

Management of the Company is consisted of executive board, chief medical officer and hospital administrator.

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24. SEGMENT INFORMATION

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 and assess its performance to the company's operating segment.

The one main operating segment of the Company is to provide healthcare as private hospital and hospital under the affiliated of social security and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

Information about major customers

The groups of the Company's major customers include individuals, group of policyholders of the insurance company, group of contract parties' company and group of insured on social security who requires using the hospital service at the package rate from the government sectors.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year periods by the weighted average number of ordinary shares which are issued and paid-up during the year.

	2019	2018
Profit for the year (Baht)	133,146,402	140,715,686
Weighted average number of ordinary share (Shares)	149,909,264	149,909,264
Earnings per share (Baht per share)	0.89	0.94

26. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the statement of financial position as at December 31, 2018 and 2017, the Company's debt-to-equity ratio was 0.18 : 1 and 0.19 : 1, respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

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27. FINANCIAL INSTRUMENTS

27.1 Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

27.2 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates, which may affect the interest earnings and expenses in the present and future years. The Company is primarily exposed to interest rate risk that relates primarily to deposit at Financial institution and short term investments due to changes in interest rates. The Company has no policy to use any derivative financial instruments to reduce this risk.

27.3 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations of the financial condition of its counterparties, to provide a term of payment, and to require partial payment of deposit, or call for collateral as other security. Therefore, it does not expect to incur material losses from debt collection more than the amount already provided in the allowance for doubtful accounts.

27.4 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

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27.5 Fair value of financial instruments

The Company has a policy to manage The financial risks that affect the normal course of business such as changes in interest rate, the possibility of uncollectible debts, the ability to maintain the liquidity of working capital and the difference between the fair value and carrying value of financial assets and liabilities, etc. Nevertheless, the management expects the effects of these risks to be similar to the year ended December 31, 2018.

Fair value

The Company uses the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

Level 1 - Use of Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Use of Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

As of December 31, 2019, the Company had the following assets and liabilities that were measured at fair value using different levels of inputs as follows :-

	Baht			Total
	Level 1	Level 2	Level 3	
Assets				
Current investments				
- Fixed deposit	1,323,888	-	-	1,323,888
- Mutual fund fixed income	-	62,843	-	62,843
Long-term investments				
- Equity	171,666,495	-	-	171,666,495
Total	172,990,383	62,843	-	173,053,226

Fair valuation techniques and inputs to Level 2 fair valuation

The fair value of investments in investment units that are not listed on the Stock Exchange of Thailand is determined by using the net asset value per unit as announced by the fund managers.

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

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28. COMMITMENTS WITH NON-RELATED PARTIES

As at December 31, 2019 and 2018, the Company has commitments as follows :-

	Baht	
	2019	2018
28.1 Letters of guarantee issued by a commercial bank to the government unit and the state enterprise.	22,427,200	23,164,000
28.2 Construction and equipment installation agreements	17,532,591	12,572,150
28.3 Operating lease commitments, the company has entered into an agreement in respect of lease of computer and equipment from a company. The term of the agreement is generally 3 years, future minimum rental payable was as follows:-		
Payable within 1 year	2,274,606	2,423,550
Payable within 2 to 3 years	1,466,756	3,741,362
	<u>3,741,362</u>	<u>6,164,912</u>

29. RECLASSIFICATION

Certain amounts in the financial statements for the year 2018 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications were as follow :

	Baht		
	As previously reported	Increase (decrease)	As reclassified
The statement of financial position			
At as December 31, 2018			
Trade accounts receivable	81,312,424	(9,010,008)	72,302,416
Other current liabilities	27,827,007	(9,010,008)	18,816,999

30. TO APPROVED THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by Board of Directors of the Company on February 13, 2020.