

KRUNGDHON HOSPITAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. GENERAL INFORMATION

1.1 Corporate information

Krungdhon Hospital Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the operation of a hospital business, and its registered address having 2 hospitals, Krungdhon Hospital 1 located at 337, Somdet Prachao Taksin Road, Bukhalo, Thonburi, Bangkok and Krungdhon Hospital 2 located at 216/6, Suksawad Road, Bangpakok, Radburana, Bangkok.

1.2 No signed agreement to join as the hospital under Social Security Project for 2008

On 28 December 2007, the Meeting of the Board of Directors approved a proposal not to extend the agreement to be a hospital under Social Security Scheme for the year 2008. The Company submitted a letter informing the Social Security Office that the Company will not participate as a hospital under the Social Security Scheme for the year 2008.

2. BASIS OF PREPARATION

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

2.2 Basis of consolidation

These consolidated financial statements included the consolidated statements of income and cash flows for the years ended 31 December 2007 and 2006 of Krungdhon Hospital Public Company Limited and Healthlink Company Limited (“the subsidiary”). In addition, as at 31 December 2006, the Company’s directors together held shares representing around 27.82 percent of the total issued capital of Healthlink Company Limited, and combined with the Company’s holding of around 46.69 percent, the total stake in this company is

74.51 percent. At the same time, since key directors of the Company are authorised persons of subsidiary company, it is deemed that the Company had control over this company. Hence, the Company regarded Healthlink Company Limited as its subsidiary, and the financial statements of Healthlink Company Limited were included in the Company's consolidated financial statements for the year ended 31 December 2006. Assets and revenues which are included in consolidated financial statements of 2006 are as follows: -

Subsidiary	Percentage of shareholding by the Company		Type of business	Subsidiary's total assets as percentage to the consolidated total		Subsidiary's total revenues as percentage to the consolidated total	
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	%	%					
Healthlink Company Limited	-	46.69	Hotel and health care services	-	39	4	6

The subsidiary, of which the registered address is 337, Somdet Prachao Taksin Road, Bukhalo, Thonburi, Bangkok, is engaged in the hotel business and the provision of healthcare services under the name of "Northern Heritage Resort & Spa" which is located at 338, Moo 4, Huayyab, Banti, Lumpoon.

Significant intercompany balances and transactions, investment in the subsidiary in the Company's accounts and the shareholders' equity of the subsidiary are eliminated from the consolidated financial statements.

The Company had not prepared the consolidated balance sheet as at 31 December 2007 and although consolidated statements of income, change in shareholders' equity and cash flows for the year ended 31 December 2007 have been prepared, by including the results of the operations of Healthlink Company Limited, the subsidiary, from 1 January 2007 to 6 August 2007 because the Company sold ordinary shares it held in its subsidiary to another company on 6 August 2007.

On 6 August 2007, the net asset value of Healthlink Company Limited was as follows: -

(Unit: Thousand Baht)

Cash and deposits at financial institutions	1,089
Trade accounts receivable - net	3,591
Inventories	544
Other current assets	3,340
Pledged fixed deposits at financial institutions	638
Property, plant and equipment - net	141,664
Intangible assets - net	29
Other non-current assets	22
Total assets	<u>150,917</u>
Trade accounts payable	846
Account payable - parent company	1,058
Accrued expenses	714
Long-term loan from parent company	35,000
Other current liabilities	1,209
Total liabilities	<u>38,827</u>
Net asset value	<u>112,090</u>
Net asset value - equity attributable to Company's shareholders	52,335
Less: Sales proceeds	<u>(131,610)</u>
Gain on sale of investment in subsidiary company	<u>79,275</u>
Sales proceeds	131,610
Less: Cash and deposits at financial institutions of subsidiary company	(1,089)
Add: Cash receipt from repayment of long-term loan	<u>35,000</u>
Net cash received from sale of investment in subsidiary company	<u><u>165,521</u></u>
 <u>Separate financial statements</u>	
Sales proceeds	131,610
Less: Cost of investment	<u>(128,400)</u>
Gain on sale of investment in subsidiary company	<u>3,210</u>

- 2.3 The separate financial statements, which present investment in subsidiary presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investment in subsidiary, in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 as discussed in Note 4.2. In addition, management's assessment that TAS 45 and TAS 46 are not relevant to the business of the Company.

b) Thai Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combination
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of

these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. CHANGE IN ACCOUNTING POLICIES

4.1 In 2006, the Company and its subsidiary changed their accounting policy for recording land from using the appraised value to using the cost method. The reason for the change was that the Company and its subsidiary did not record most fixed assets at their appraised values and since the management wished to present the value of all fixed assets using the same method, they decided to change the method for valuing land to the cost method. In this regard, the Company and its subsidiary have restated the prior year financial statements as though the cost of land had originally been recorded using the cost method. The change has no effect to net income for the year ended 31 December 2006. The cumulative effect of the accounting change is to decrease assets and shareholders' equity in the consolidated financial statements and the separate financial statements as at 1 January 2006 with the same amount for each year by Baht 265.6 million and Baht 258.5 million, respectively. Such cumulative effect has been reflected as an adjustment against the respective beginning balances of surplus from revaluation of land and surplus from revaluation of land of subsidiary under the heading of "Cumulative effect of the change in accounting policy for valuation of land" in the statements of changes in shareholders' equity.

4.2 On 1 January 2007, the Company changed its accounting policy for recording investment in subsidiary company in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding "Consolidated Financial Statements and Separate Financial Statements", under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous year's separate financial statements as though the investment in the subsidiary company had originally been recorded using the cost method. However such change had no effect on net income for the year ended 31 December 2006 and the shareholders' equity as at 31 December 2006 in the separate financial statements since the allowance for diminution in value of investment is set aside.

Such change in accounting policy affects only the accounts related to investment in subsidiary company in the Company's separate financial statements, with no effect to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenues and expenses recognition

(a) Revenues from hospital operations

Revenues from hospital operations, mainly consisting of medical fees, hospital room sales, medicine sales and other income, are recognised as income when services have been rendered or medicine delivered.

(b) Revenues from hotel and healthcare services operations

Revenues from hotel and healthcare services operations mainly comprise room sales, food and beverage sales and revenues from auxiliary activities, and represent the invoiced value (excluding value added tax) of goods supplied and services rendered after deducting discounts and service charges.

(c) Expenses are recognised on an accrual basis.

5.2 Cash and cash equivalents

Cash and cash equivalents are cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in collection of receivables. The allowance is based on collection experience and the current status of receivables outstanding at the balance sheet date.

5.4 Inventories

Inventories are valued at the lower of cost (weighted average basis) and net realisable value.

Allowance for obsolete stocks is made for long outstanding and obsolete stocks.

5.5 Investments

Investment in the subsidiary are accounted for in the separate financial statements using the cost method less provision for loss on impairment of investment.

Investments in the unit trusts of funds are held to be available for sale securities, and presented at fair value. The Company recognises changes in the value of such securities as a separate item under shareholders' equity in the balance sheet until the security is sold, when the change is included in determining income. The fair value of unit trusts is determined based on net assets value of the fund.

Long-term investments in other companies which are non-marketable equity securities and held as other investments are valued at cost. The Company and its subsidiary recognises loss on impairment of other investments (if any) in the income statements.

The weighted average method is used for computation of the cost of investments.

5.6 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives: -

Buildings and construction	-	20 years
Equipment and tools	-	3 - 20 years
Motor vehicles	-	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress.

5.7 Intangible assets and amortisation

Computer software are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period (10 years), for which the assets are expected to generate economic benefit.

The amortisation is included in determining income.

5.8 Leasehold rights to land and building and amortisation

Leasehold rights to land and building are stated at cost less accumulated amortisation. Amortisation of leasehold rights is calculated by reference to its cost on a straight-line basis over the shorter of the estimate useful lives and the lease period (20 years).

The amortisation is included in determining income.

5.9 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.10 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.

They also include associated 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.

5.11 Government grants

The Company records government grants provided to purchase medical equipment as deferred income and recognises them as income on a straight-line basis over the useful life of the assets.

5.12 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

5.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.14 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currency outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in determining income.

5.15 Income tax

The Company calculates income tax based on the taxable profits determined in accordance with tax legislation.

5.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. CURRENT INVESTMENT - UNIT TRUST

(Unit: Baht)

	Separate Financial Statements			
	2007		2006	
	Cost	Fair value	Cost	Fair value
<u>Available-for-sales security</u>				
Unit trust	120,000,000	120,517,200	-	-
Add: Unrealised gain on change in the value of investment	517,200	-	-	-
Unit trust - net	<u>120,517,200</u>	<u>120,517,200</u>	<u>-</u>	<u>-</u>

7. TRADE ACCOUNTS RECEIVABLE

The aging of the trade accounts receivable balance as at 31 December 2007 and 2006 is as follows: -

	(Unit: Baht)		
	Separate		Consolidated
	financial statements		financial statements
<u>Outstanding period</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Current	4,666,429	4,637,326	4,692,647
Overdue			
1 - 30 days	2,663,391	3,418,522	3,961,007
31 - 60 days	1,929,623	1,379,205	1,384,105
61 - 90 days	861,125	339,752	339,752
More than 90 days	1,450,788	1,165,702	1,634,282
Total	11,571,356	10,940,507	12,011,793
Less: Allowance for doubtful accounts	(166,602)	(324,959)	(768,761)
Trade accounts receivable - net	11,404,754	10,615,548	11,243,032

8. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with subsidiary and related companies and directors, which related by way of common shareholders and/or common directors. Such transactions are summarised below: -

	(Unit: Thousand Baht)				
	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>		
<u>Transactions with directors</u>					
Interest expense	-	199	-	-	Interest rate at 5 percent per annum
<u>Transaction with related company</u>					
Siam Brother Housing Company Limited					
(related by way of common directors)					
Rental expense	6,542	6,230	6,542	6,230	Approximately Baht 0.55 million per month (2006: approximately Baht 0.52 million per month)

(Unit: Thousand Baht)

	Separate		Transfer pricing policy
	financial statements		
	<u>2007</u>	<u>2006</u>	
<u>Transactions with</u>			
<u>Healthlink Company Limited</u>			
(being eliminated from consolidated financial statements)			
Interest income	1,045	1,750	Interest rate at 5 percent per annum
Office rental income	35	60	Baht 5,000 per month

The balances of the accounts as at 31 December 2007 and 2006 between the Company, subsidiary and directors are as follows: -

(Unit: Baht)

	Separate financial statements	
	<u>2007</u>	<u>2006</u>
<u>Healthlink Company Limited</u>		
Accounts receivable - subsidiary company	-	1,781,341
Long-term loan to subsidiary company	-	35,000,000

During the current year, movement of long-term loan to subsidiary company was as follows: -

(Unit: Baht)

	Separate financial statements			Balance as at 31 December 2007
	Balance as at 1 January 2007	Additional loan	Repayment loan	
Long-term loan to subsidiary company	<u>35,000,000</u>	<u>-</u>	<u>(35,000,000)</u>	<u>-</u>

The long-term loan to the subsidiary company as at 31 December 2006 carries interest at a rate of 5 percent per annum, is unsecured and is due at call. However, the Company expected that it was not call for loan repayment in the short-term and had thus presented the loan in non-current assets. The Company received the long-term loan from subsidiary company in August 2007.

Directors and management's remuneration

In 2007 the Company and its subsidiary paid salaries, wages and medical service expenses, meeting allowances and gratuities to their directors and management totalling Baht 15.8 million (the Company only: Baht 15.2 million) (2006: Baht 17.4 million, the Company only: Baht 16.3 million).

9. INVENTORIES

(Unit: Baht)

	Separate		Consolidated
	financial statements		financial statements
	<u>2007</u>	<u>2006</u>	<u>2006</u>
Medicines and medical supplies	7,504,831	7,102,740	7,102,740
Supplies	615,005	696,578	818,452
Stationery supplies	405,796	435,297	523,972
Food and beverages	-	-	322,416
	<u>8,525,632</u>	<u>8,234,615</u>	<u>8,767,580</u>
Less: Allowance for obsolete stocks	<u>(113,413)</u>	<u>(82,134)</u>	<u>(82,134)</u>
Inventories - net	<u><u>8,412,219</u></u>	<u><u>8,152,481</u></u>	<u><u>8,685,446</u></u>

10. INCOME RECEIVABLE

As at 31 December 2007, Baht 18.3 million of income receivable (2006: Baht 9.2 million) is receivable from the National Health Security Office for the Company's participation in the Universal Health Care Coverage Project. The other Baht 12.2 million (2006: Baht 13.3 million) is income receivable from the Social Security Office, part of which is medical service income per risk, as described in Note 19.

11. PLEDGED FIXED DEPOSITS AT FINANCIAL INSTITUTIONS

As at 31 December 2007 and 2006, all deposits of the Company and its subsidiary at financial institutions are pledged with banks to secure letters of guarantee facilities issued by the banks on behalf of the Company and its subsidiary.

12. INVESTMENT IN SUBSIDIARY COMPANY

As at 31 December 2006, investment in subsidiary company comprises investment in the ordinary shares of the following company: -

(Unit: Baht)

Company's name	Type of business	Separate financial statements		
		Paid-up capital	Percentage of shareholding	Cost method
		<u>2006</u>	<u>2006</u> Percent	<u>2006</u> (Restated)
Healthlink Co., Ltd.	Hotel and health care services	275,000,000	46.69	128,400,000
Less: Provision for loss on impairment of investment				<u>(74,207,917)</u>
Investment in subsidiary company - net				<u>54,192,083</u>

On 6 August 2007, the Company sold 12.84 million ordinary shares of Healthlink Company Limited, with a par value of Baht 10 per share, representing 46.69 percent of that company's share capital. The Company sold the shares at a price of Baht 10.25 per share, or a total of Baht 131.61 million. As at 31 December 2007, the Company held no shares of that company. The Company recognised gain on sale of investment in subsidiary amounting to Baht 3.21 million and reversed the provision for loss on impairment of investment amounting to Baht 74.2 million in separate income statement.

13. OTHER LONG-TERM INVESTMENTS

(Unit: Baht)

Company's name	Type of business	Percentage of shareholding	Separate financial statements		Consolidated financial statements
			<u>2007</u>	<u>2006</u>	<u>2006</u>
Kendall Gammatron Limited	Trading of medical supplies	6.70	8,000,000	8,000,000	8,000,000
SME Holding Company Limited	Holding company	8.00	6,000,000	6,000,000	6,000,000
Thai Longstay Management Corporation Limited	Longstay tourism promotion and development	0.25	-	-	500,000
Total			<u>14,000,000</u>	<u>14,000,000</u>	<u>14,500,000</u>
Less: Allowance for impairment of investments			<u>(8,000,000)</u>	<u>(8,000,000)</u>	<u>(8,500,000)</u>
Other long-term investments - net			<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

On 28 December 2007, a Meeting of the Board of Directors approved the sale of 600,000 ordinary shares of SME Holding Company Limited at Baht 18.33 per share, totaling Baht 11 million. The Company received settlement from the above company on 11 January 2008.

14. PROPERTY, PLANT AND EQUIPMENT

(Unit: Baht)

	Separate financial statements					Total
	Land	Buildings and construction	Equipment and tools	Motor vehicles	Work in progress	
Cost						
31 December 2006	37,775,025	178,554,824	239,110,916	11,992,344	2,753,842	470,186,951
Acquisitions	-	489,013	20,311,348	576,000	2,426,293	23,802,654
Transferred in (out)	-	4,861,353	-	-	(4,861,353)	-
Disposals	-	-	(15,304,996)	(217,521)	-	(15,522,517)
31 December 2007	37,775,025	183,905,190	244,117,268	12,350,823	318,782	478,467,088
Accumulated depreciation						
31 December 2006	-	106,332,671	199,349,839	8,665,653	-	314,348,163
Depreciation for the year	-	7,877,281	11,886,939	1,150,180	-	20,914,400
Depreciation for disposals	-	-	(15,262,928)	(217,520)	-	(15,480,448)
31 December 2007	-	114,209,952	195,973,850	9,598,313	-	319,782,115
Net book value						
31 December 2006	37,775,025	72,222,153	39,761,077	3,326,691	2,753,842	155,838,788
31 December 2007	37,775,025	69,695,238	48,143,418	2,752,510	318,782	158,684,973
Depreciation charge included in income statements for the year						
2006						19,851,949
2007						20,914,400

Baht 12.3 million (2006: Baht 11.1 million) of depreciation per the separate financial statements has been charged to cost of hospital operations, while the remaining Baht 8.6 million (2006: Baht 8.8 million) has been charged to selling and administrative expenses.

The Company has pledged its land, including buildings and construction thereon with net book value as of 31 December 2007 amounted to Baht 102.3 million (2006: Baht 105.6 million), to secure its bank overdraft facilities as discussed in Note 15.

As at 31 December 2007, certain buildings, equipment and motor vehicles of the Company have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 194.8 million (2006: Baht 198.5 million).

15. INTANGIBLE ASSETS

(Unit:
Baht)

	Separate financial statements	
	Computer software	
	<u>2007</u>	<u>2006</u>
Cost	5,226,601	5,162,401
Add: Purchases	<u>58,850</u>	<u>64,200</u>
	5,285,451	5,226,601
Less: Accumulated amortisation	<u>(1,895,097)</u>	<u>(1,426,154)</u>
Computer software - net	<u>3,390,354</u>	<u>3,800,447</u>
Amortisation expenses included in the income statements for the year	<u>468,943</u>	<u>466,302</u>

16. LEASEHOLD RIGHT TO LAND AND BUILDING

(Unit:
Baht)

	Separate financial statements	
	<u>2007</u>	<u>2006</u>
Cost	40,000,000	40,000,000
Less: Accumulated amortisation	<u>(27,347,945)</u>	<u>(25,347,945)</u>
Leasehold right to land and building - net	<u>12,652,055</u>	<u>14,652,055</u>
Amortisation expenses included in the income statements for the year	<u>2,000,000</u>	<u>2,000,000</u>

Baht 1.6 million (2006: Baht 1.6 million) of amortisation has been charged to cost of hospital operations, while the remaining Baht 0.4 million (2006: Baht 0.4 million) has been charged to selling and administrative expenses.

On 20 July 1993 the Company entered into an agreement to lease land and building for a period of 20 years from a company which has director in common with the Company. Under the agreement the Company paid Baht 40 million for the leasehold rights in order to establish Krungdhon Hospital 2, and transferred the beneficiary rights under the insurance policy to the lessor.

Most of the land of the lessor covered by the agreement to lease land and building has been mortgaged by the lessor.

17. BANK OVERDRAFTS

As at 31 December 2007 and 2006, Baht 35 million of bank overdrafts facilities are secured by the mortgage of the Company's land and construction thereon, as discussed in Note 13.

18. DEFERRED INCOME FROM GOVERNMENT GRANTS

The National Health Security Office approved the grant-in-aid budget for private hospitals that have joined the Universal Health Care Coverage Project, for procurement of medical equipment. The Company recorded such grant as "Deferred income from government grants" in the balance sheets. It is recognised as income on a straight-line basis over the useful life of the assets.

(Unit: Baht)

	Consolidated financial statements / Separate financial statements	
	<u>2007</u>	<u>2006</u>
Deferred income from government grants - beginning of year	13,112,500	21,823,646
Add: Increase in government grants during the year	2,235,412	2,227,670
Less: Recognised as income during the year	(3,082,864)	(3,013,639)
Returned government grants due to Krungdhon 1 resigning from the project	-	(7,925,177)
Deferred income from government grants - end of year	<u>12,265,048</u>	<u>13,112,500</u>

19. DIVIDENDS

Dividends declared in 2007 and 2006 consist of the following:

(Unit: Baht)

Dividends	Approved by	Total dividends	Dividend per share
Final dividends for 2005	Annual General Meeting of the shareholders on 28 April 2006	<u>15,000,000</u>	<u>1.00</u>
Total for the year 2006		<u>15,000,000</u>	<u>1.00</u>
Final dividends for 2006	Annual General Meeting of the shareholders on 27 April 2007	<u>15,000,000</u>	<u>1.00</u>
Total for the year 2007		<u>15,000,000</u>	<u>1.00</u>

20. STATUTORY RESERVE

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

21. REVENUES FROM HOSPITAL OPERATIONS

Revenues from hospital operations includes the medical service income per risk, amounting to approximately Baht 6.9 million (2006: Baht 6.8 million), estimated by the Company for the period as from July 2007 to December 2007. Since the Company is not able to determine the amount to be received with certainty, it has therefore estimated the amount based on the medical service income per risk received from the Social Security Office for the first half year 2007, amounting to Baht 7.5 million adjusted by a rate that the Company determined based on actual revenues of year 2006.

22. INCOME TAX

Corporate income tax for the year ended 31 December 2007 of the Company was calculated at the rate of 30 percent on net income, after adding back certain expenses which are disallowable for tax purposes, and deducting dividend income, which is exempted from income tax under Section 65 bis (10) of the Revenue Code.

Corporate income tax for the year ended 31 December 2006 of the Company was calculated at the rate of 25 percent on net income, after adding back certain expenses which are disallowable for tax purposes, and deducting dividend income, which is exempted from income tax under Section 65 bis (10) of the Revenue Code. The tax rate applied is in compliance with the provisions of Royal Decree 387 (B.E. 2544) dated 28 August 2001, issued under the Revenue Code, regarding the reduction of income tax rates.

23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

24. EMPLOYEES AND RELATED COSTS

	Separate		Consolidated
	financial statements		financial
	2007	2006	statements
			2006
Number of employees at the end of year	766	798	898
Employee costs for the year (Thousand Baht)	119,244	114,837	127,530

25. STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks with an original maturity of three months or less and free from restrictions.

As at 31 December 2007 and 2006, cash and cash equivalents as reflected in the statements of cash flows consist of the following: -

(Unit: Baht)

	Separate		Consolidated
	financial statements		financial statements
	2007	2006	2006
Cash and cash equivalents	50,078,306	18,514,318	23,233,018
Current investment - fixed deposits	104,800	101,934	101,934
Cash and cash equivalents in statements of cash flows	50,183,106	18,616,252	23,334,952

26. COMMITMENTS

26.1 Operating lease commitments

As at 31 December 2007, the Company has commitments in respect of long-term agreements to lease land and buildings for setting up a Krungdhon Hospital 2, as detailed below: -

(Unit: Million Baht)

<u>Year</u>	<u>Amount</u>
2008	6.8
2009 - 2013	37.7

26.2 Bank guarantees

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 28.4 million (2006: Baht 30.5 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

27. FINANCIAL INSTRUMENTS

27.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments and trade accounts payable. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to accounts receivable, who comprise contracted customers of the Company. However, due to the large number of contracted customers and its creditworthiness, the Company does not anticipate material losses from its debt collection. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheets.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks. However, since most of the Company's financial assets have fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2007 are classified by type of interest rate in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Fixed interest			Total	Interest rate
	rate due				
	within 1 year	Floating interest rate	Non- interest bearing		
(Million Baht)					(% p.a.)
Financial Assets					
Cash and cash equivalents	30.0	17.6	2.5	50.1	0.5 - 2.92%
Fixed deposits at financial institutions	0.1	-	-	0.1	2.0 - 2.25%
Unit trust	-	-	120.5	120.5	-
Trade accounts receivable	-	-	11.4	11.4	-
Pledged fixed deposits at financial institutions	8.7	-	-	8.7	2.25%
	<u>38.8</u>	<u>17.6</u>	<u>134.4</u>	<u>190.8</u>	
Financial liabilities					
Trade accounts payable	-	-	11.8	11.8	-
	<u>-</u>	<u>-</u>	<u>11.8</u>	<u>11.8</u>	

Foreign currency risk

The Company's exposure to foreign currency risk is limited since the majority of business transactions are denominated in Thai Baht.

27.2 Fair value of financial instruments

Since the majority of the Company is short-term, its fair value is not expected to be materially different from the amounts presented in the balance sheets.

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

28. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiary' business operations involve two principal segments: (1) hospital business, and (2) hotel and healthcare services business. These operations are mainly carries on in Thailand. Below is the consolidated financial statements as of and for the years ended 31 December 2007 and 2006.

(Unit: Million Baht)

Consolidated financial statements								
For the years ended 31 December								
	Hospital business		Hotel and health care services business		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	395	409	18	27	-	-	413	436
Operating profit (loss)	94	124	5	(2)	-	-	99	122
Other income							9	7
Gain on sale of investment in subsidiary company							79	-
Selling and administrative expenses							(97)	(100)
Interest expense							-	(1)
Income tax							(4)	(10)
Net loss of minority interest							2	4
Net income for the year							88	22

(Unit: Million Baht)

As at 31 December								
	Hospital business		Hotel and health care services business		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Assets								
Inventories - net	8	8	-	1	-	-	8	9
Property, plant and equipment - net	159	156	-	145	-	-	159	301
Unallocated assets	246	173	-	10	-	(91)	246	92
Total assets	413	337	-	156	-	(91)	413	402

29. LITIGATIONS

As at 31 December 2007, the Company is being sued by a relative of a patient, claiming compensation of Baht 10 million, on the grounds that the doctor did not provide care in accordance with the highest standards. In addition, the Company is being sued by a patient, claiming compensation of Baht 1.5 million. The above cases are being heard by the court. The Company's management believes that the ultimate resolutions of these legal proceedings are not likely to have a material effect on the results of the Company's operations, or its financial position.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the authorised director on 25 February 2008.