

Krungdhon Hospital Public Company Limited

Notes to financial statements

For the years ended 31 December 2008 and 2007

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.

During the third quarter of 2007, the Company sold all investments in its subsidiary company, Healthlink Company Limited. Therefore no consolidated financial statements of 2007 was included in these financial statements.

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

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

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

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

3. Adoption of new accounting standards

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows:

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 Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 33 (revised 2007), TAS 43 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, while TAS 25 (revised 2007), TAS 29 (revised 2007), TAS 31 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007), and TAS 51 do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards:

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these 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. Significant accounting policies

4.1 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) Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

(c) Other revenues and expenses

Other revenues and expenses are recognised on an accrual basis.

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Inventories are valued at the lower of cost (weighted average basis) and net realisable value. Net realisable value is calculated from the estimated selling price in ordinary course of business less the estimated costs necessary to make the sale.

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

4.5 Investments

a) Investments in the unit trusts of funds are held to be available for sale securities, and presented at fair value. The Company recognises unrealised gain (loss) on 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 funds.

- b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- c) Long-term investments in other companies which are non-marketable equity securities and held as other investments are valued at cost. The Company 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 disposed investments.

4.6 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 on land and construction in progress.

4.7 Intangible assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss (if any). Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	10 years

4.8 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 expense is charged to the income statement.

4.9 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

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

4.10 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.

4.11 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 related assets.

4.12 Foreign currencies

Transactions in foreign currency are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Exchange gains and losses are included in determining income.

4.13 Employee benefits

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

4.14 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.

4.15 Income tax

Income tax is provided in the accounts based on the taxable profits determined in accordance with tax legislation.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

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

Allowance for doubtful accounts

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Depreciation and amortisation

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's buildings and equipment and to review estimate useful lives and salvage values when there are any changes.

In determining amortisation of intangible assets with finite useful lives, the management is required to make estimates of the useful lives of the Company's intangible assets and to review estimate useful lives when there are any changes.

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

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the balance sheet date.

6. Current investments

(Unit: Baht)

	2008		2007	
	Cost	Fair value	Cost	Fair value
Fixed deposits at financial institutions	107,094	107,094	104,800	104,800
<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	-	-	120,517,200	120,517,200
<u>Held to maturity debt security</u>				
<u>due within one year</u>				
Bill of exchange	100,000,000		-	
Total current investments	100,107,094		120,622,000	

As at 31 December 2008, the Company has promissory notes amounting to Baht 100 million carrying interest at a rate of 2.30% per annum, which will mature on 14 January 2009.

7. Trade accounts receivable

The balance of trade accounts receivable as at 31 December 2008 and 2007, aged on the basis of due dates, are summarised below.

(Unit: Baht)

<u>Age of receivables</u>	<u>2008</u>	<u>2007</u>
Not yet due	5,345,416	4,666,429
Pastdue		
1 - 30 days	2,461,816	2,663,391
31 - 60 days	797,084	1,929,623
61 - 90 days	109,993	861,125
More than 90 days	501,991	1,450,788
Total	9,216,300	11,571,356
Less: Allowance for doubtful accounts	(176,359)	(166,602)
Trade accounts receivable - net	9,039,941	11,404,754

8. Related party transactions

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

(Unit: Thousand Baht)

	<u>2008</u>	<u>2007</u>	<u>Transfer pricing policy</u>
<u>Transaction with related company</u>			
Siam Brother Housing Co., Ltd.			
(Related by way of common directors)			
Rental expense	6,868.7	6,541.6	Approximately Baht 0.57 million per month (2007: approximately Baht 0.55 million per month)

Directors and management's remuneration

In 2008 the Company paid salaries, meeting allowances and gratuities to its directors and management totaling Baht 18.8 million (2007: Baht 15.2 million).

9. Inventories

(Unit: Baht)

	<u>2008</u>	<u>2007</u>
Medicines and medical supplies	5,885,044	7,504,831
Supplies	696,732	615,005
Stationery supplies	348,988	405,796
	<u>6,930,764</u>	<u>8,525,632</u>
Less: Allowance for obsolete stocks	(135,613)	(113,413)
Inventories - net	<u>6,795,151</u>	<u>8,412,219</u>

10. Income receivable

As at 31 December 2008, Baht 6.3 million of income receivable (2007: Baht 18.3 million) is receivable from the National Health Security Office for the Company's participation in the Universal Health Care Coverage Project. The other of Baht 0.6 million (2007: Baht 12.2 million) is income receivable from the Social Security Office.

11. Pledged fixed deposits at financial institutions

As at 31 December 2008 and 2007, all deposits of the Company at financial institutions are pledged with banks to secure letters of guarantee issued by the banks on behalf of the Company.

12. Other long-term investments

(Unit: Baht)

Company's name	Type of business	Percentage of Shareholding		Investments	
		2008	2007	2008	2007
		%	%		
Kendall Gammatron Limited	Trading of medical supplies	6.70	6.70	8,000,000	8,000,000
SME Holding Company Limited	Holding company	-	8.00	-	6,000,000
Total				8,000,000	14,000,000
Less: Allowance for impairment of investments				(8,000,000)	(8,000,000)
Other long-term investments - net				-	6,000,000

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 and recognised gain from sales of above investment amounting to Baht 5 million as a part of "gain on sale of investments" in the income statement of the current year.

13. Property, plant and equipment

(Unit: Baht)

	Land	Buildings and construction	Equipment and tools	Motor vehicles	Work in progress	Total
Cost						
31 December 2007	37,775,025	183,905,190	244,117,268	12,350,823	318,782	478,467,088
Acquisitions	-	366,072	6,032,750	2,956,000	67,684	9,422,506
Transferred in (out)	-	343,412	-	-	(343,412)	-
Disposals	(3,000,000)	(1,265,595)	(4,395,479)	(4,280)	-	(8,665,354)
31 December 2008	<u>34,775,025</u>	<u>183,349,079</u>	<u>245,754,539</u>	<u>15,302,543</u>	<u>43,054</u>	<u>479,224,240</u>
Accumulated depreciation						
31 December 2007	-	114,209,952	195,973,850	9,598,313	-	319,782,115
Depreciation for the year	-	7,944,719	12,636,224	1,351,737	-	21,932,680
Depreciation for disposals	-	(1,188,015)	(4,352,031)	(4,279)	-	(5,544,325)
31 December 2008	<u>-</u>	<u>120,966,656</u>	<u>204,258,043</u>	<u>10,945,771</u>	<u>-</u>	<u>336,170,470</u>
Net book value						
31 December 2007	<u>37,775,025</u>	<u>69,695,238</u>	<u>48,143,418</u>	<u>2,752,510</u>	<u>318,782</u>	<u>158,684,973</u>
31 December 2008	<u>34,775,025</u>	<u>62,382,423</u>	<u>41,496,496</u>	<u>4,356,772</u>	<u>43,054</u>	<u>143,053,770</u>
Depreciation charge included in income statements for the year						
2007						<u>20,914,400</u>
2008						<u>21,932,680</u>

Baht 13.5 million (2007: Baht 12.3 million) of depreciation has been charged to cost of hospital operations, while the remaining Baht 8.4 million (2007: Baht 8.6 million) has been charged to administrative expenses.

During the current year, the Company sold land and construction thereon with a net book value of approximately Baht 3 million to an individual, at a price of Baht 14 million. The Company recognised the approximately Baht 11 million as gain on the sale of fixed assets in income statement of the current year.

The Company has pledged its land, including buildings and construction thereon with net book value as at 31 December 2008 amounted to Baht 95.2 million (2007: Baht 102.3 million), to secure its bank overdraft facilities as discussed in Note 16.

As at 31 December 2008, certain buildings, equipment and motor vehicles of the Company have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 203.7 million (2007: Baht 194.8 million).

14. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Cost	5,285,451	5,226,601
Add: Purchases during the year	<u>51,574</u>	<u>58,850</u>
	5,337,025	5,285,451
Less: Accumulated amortisation	<u>(2,369,399)</u>	<u>(1,895,097)</u>
Computer software - net	<u>2,967,626</u>	<u>3,390,354</u>
Amortisation expenses included in the income statements for the year	<u>474,302</u>	<u>468,943</u>

15. Leasehold right to land and building

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Cost	40,000,000	40,000,000
Less: Accumulated amortisation	<u>(29,347,945)</u>	<u>(27,347,945)</u>
Leasehold right to land and building – net	<u>10,652,055</u>	<u>12,652,055</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 (2007: Baht 1.6 million) of amortisation has been charged to cost of hospital operations, while the remaining Baht 0.4 million (2007: Baht 0.4 million) has been charged to 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 title deeds of the lessor covered by the agreement to lease land and building has been mortgaged by the lessor.

16. Bank overdrafts

As at 31 December 2008 and 2007, 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.

17. 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 related assets.

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Deferred income from government grants - beginning of year	12,265,048	13,112,500
Add: Increase in government grants during the year	4,829,435	2,235,412
Less: Recognised as income during the year	<u>(3,970,411)</u>	<u>(3,082,864)</u>
Deferred income from government grants - end of year	<u>13,124,072</u>	<u>12,265,048</u>

18. 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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered share capital. The statutory reserve is not available for dividend distribution.

19. Dividends

Dividends declared in 2008 and 2007 consist of the following:

		(Unit: Baht)	
<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</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 dividends paid in 2007		<u>15,000,000</u>	<u>1.00</u>
Final dividends for 2007	Annual General Meeting of the shareholders on 25 April 2008	<u>62,248,290</u>	<u>4.15</u>
Total dividends paid in 2008		<u>62,248,290</u>	<u>4.15</u>

20. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Salary and wages and other employee benefits	106,557,122	119,303,348
Depreciation	21,932,680	20,914,400
Amortisation expenses	2,474,302	2,468,943
Rental expenses	7,537,629	6,944,765
Purchase medicines and medical supplies	47,576,881	60,279,020
Changes in inventories	1,594,868	(291,017)

21. Reversal of provision for loss on impairment of investment in subsidiary company

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. The Company sold the shares at a price of Baht 10.25 per share, or a total of Baht 131.61 million. 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 the income statement for the year 2007.

22. Corporate income tax

Corporate income tax for the year ended 31 December 2007 was calculated at the rate of 30% 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.

23. Earnings per share

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

24. 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 2008 and 2007, cash and cash equivalents as reflected in the statements of cash flows consist of the following: -

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	41,050,643	50,078,306
Current investment - fixed deposits	<u>107,094</u>	<u>104,800</u>
Cash and cash equivalents in statements of cash flows	<u>41,157,737</u>	<u>50,183,106</u>

25. Commitments

25.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of land, building and equipment. As at 31 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)
<u>Year</u>	<u>Amount</u>
2009	7.3
2010 - 2013	<u>25.8</u>
	<u>33.1</u>

25.2 Bank guarantees

As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 10.8 million (2007: Baht 28.4 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 6.3 million to guarantee contractual performance under the Universal Health Care Coverage Project, Baht 2.5 million to guarantee contractual performance under Social Security Project, and Baht 2.0 million to guarantee electricity use.

26. Financial information by segment

The Company's operations involve a single industry segment in the hospital business and is carried on in the single geographic area in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

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 trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, and bank overdrafts. However, since most of the Company's financial assets and liabilities 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 2008 classified by type of interest rate are summarised 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 rate due				Interest rate
	within 1 year	Floating interest rate	Non - interest bearing	Total	
	(Million Baht)				(% p.a.)
Financial Assets					
Cash and cash equivalents	-	39.8	1.2	41.0	0.25%
Current investments	100.1	-	-	100.1	1.25 - 2.3%
Trade accounts receivable	-	-	9.0	9.0	-
Pledged fixed deposits at financial institutions	9.0	-	-	9.0	1.0 - 1.25%
	<u>109.1</u>	<u>39.8</u>	<u>10.2</u>	<u>159.1</u>	
Financial liabilities					
Trade accounts payable	-	-	13.1	13.1	-
	<u>-</u>	<u>-</u>	<u>13.1</u>	<u>13.1</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's financial instruments are short-term in nature, 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. Litigations

As at 31 December 2008 and 2007 the Company has litigations as follows:

1. In 2007, the Company was sued by the 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 was sued by a patient, claiming compensation of Baht 1.5 million. Both cases were dismissed by the court of first instance in March 2008 and are being heard by the appellate court; however, the Company's management believes both cases will be dismissed and that there will be no material effect on the results of the Company's operations, or its financial position.
2. During the current year 2008, the Company was sued by a patient, claiming compensation of Baht 5 million, on the grounds that the doctor did not provide care in accordance with the highest standards. The 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.
3. During the current year 2008, the Company was sued by the relative of a patient, claiming compensation of Baht 12.58 million, on the grounds that the doctor did not provide care in accordance with the highest standards. On 23 January 2009, the court ordered the Company paid compensation by Baht 2 million to the plaintiff as a compromise agreement. The Company did not record provision for this compensation in operating results since a co-defendant will pay all compensation to the plaintiff.

29. 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 balance sheet as at 31 December 2008, the Company's debt-to-equity ratio was 0.16:1 (2007: 0.17:1).

30. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 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 are as follow:

(Unit: Baht)

	<u>As reclassified</u>	<u>As previously reported</u>
Trade accounts payable	12,602,527	11,655,280
Accrued expenses	9,126,159	10,073,406

31. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 23 February 2009.