

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of Nam Seng Insurance Public Company Limited

I have audited the accompanying financial statements of Nam Seng Insurance Public Company Limited, which comprise the statement of financial position as at 31 December 2014, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nam Seng Insurance Public Company Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

EY Office Limited
Bangkok: 25 February 2015

Nam Seng Insurance Public Company Limited**Statements of financial position****As at 31 December 2014**

		(Unit: Baht)	
	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	6	111,246,000	161,737,384
Accrued investment income		18,376,093	14,546,395
Premium receivables	7	147,471,614	192,930,630
Reinsurance assets	8	240,707,233	317,526,926
Investment assets			
Investments in securities			
Trading investments	9.1	80,578,902	41,710,431
Available-for-sale investments	9.2	328,166,988	242,067,840
Held-to-maturity investments	9.3	1,752,447,100	1,680,726,285
Other investments	9.4	2,048,020	2,223,020
Loans	10	8,344,815	7,074,276
Properties foreclosed	11	7,314,613	15,148,501
Property, buildings and equipment	12	147,045,418	155,621,889
Intangible assets	13	1,056,435	1,693,134
Deferred tax assets	14.1	90,136,850	83,912,078
Other assets	15	46,640,488	48,217,772
Total assets		2,981,580,569	2,965,136,561

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited
Statements of financial position (continued)
As at 31 December 2014

	Note	31 December 2014	31 December 2013
Liabilities and equity			
Liabilities			
Income tax payable		9,118,199	12,039,464
Due to reinsurers	16	110,417,997	157,298,309
Insurance contract liabilities			
Loss reserves and outstanding claims	17	589,582,528	604,279,480
Premium reserve	18.1	864,240,805	832,842,359
Employee benefit obligations	19	56,320,769	48,697,557
Accrued commissions		32,871,014	41,251,535
Other liabilities	20	70,778,498	95,867,574
Total liabilities		<u>1,733,329,810</u>	<u>1,792,276,278</u>
Equity			
Share capital			
Registered			
20,000,000 ordinary shares of Baht 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued and paid-up			
13,900,000 ordinary shares of Baht 10 each		139,000,000	139,000,000
Premium on share capital		594,436,835	594,436,835
Retained earnings			
Appropriated			
Legal reserve	21	24,848,787	24,848,787
General reserve		6,163,850	6,163,850
Unappropriated		489,436,011	416,875,811
Other components of equity	9.6	(5,634,724)	(8,465,000)
Total equity		<u>1,248,250,759</u>	<u>1,172,860,283</u>
Total liabilities and equity		<u>2,981,580,569</u>	<u>2,965,136,561</u>
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The accompanying notes are an integral part of the financial statements.

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Directors
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Nam Seng Insurance Public Company Limited**Statements of comprehensive income****For the year ended 31 December 2014**

		(Unit: Baht)	
	Note	2014	2013
Income			
Net earned premium	23, 27	1,560,846,096	1,468,413,788
Fee and commission income	23	46,419,461	32,890,396
Total income		<u>1,607,265,557</u>	<u>1,501,304,184</u>
Expenses			
Underwriting			
Claims expenses			
Claims and losses adjustment expenses	23	878,039,634	789,351,029
Commission and brokerage expenses	23, 27	267,061,472	278,005,711
Other underwriting expenses	23	50,090,704	36,827,213
Contribution to Road Accident Victims Protection			
Company Limited	23	19,865,835	18,049,853
Operating expenses	23, 24	292,141,106	262,109,693
Total underwriting expenses		<u>1,507,198,751</u>	<u>1,384,343,499</u>
Profit from underwriting		100,066,806	116,960,685
Net investment income		82,597,446	91,816,068
Gain on investments		10,749,222	30,051,958
Fair value gains (losses)		389,041	(15,390,310)
Other income			
Gains on sales of assets		8,377,494	2,594,012
Others		7,486,529	5,981,131
Profit from operations		<u>209,666,538</u>	<u>232,013,544</u>
Contribution to the Office of Insurance Commission		(4,789,554)	(4,708,802)
Contribution to the General Insurance Fund	31	(4,288,439)	(4,207,565)
Contribution to the Victims Compensation Fund		(1,621,701)	(1,473,457)
Profit before income tax expenses		<u>198,966,844</u>	<u>221,623,720</u>
Income tax expenses	14.2	(36,056,644)	(38,613,664)
Profit for the year		<u>162,910,200</u>	<u>183,010,056</u>

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited
Statements of comprehensive income (continued)
For the year ended 31 December 2014

		(Unit: Baht)	
	Note	2014	2013
Other comprehensive income			
Gains (losses) on changes in values of available-for-sale investments		3,537,844	(47,686,787)
Income tax relating to components of other comprehensive income	14.2	(707,568)	9,537,357
Other comprehensive income for the year - net of tax			
		2,830,276	(38,149,430)
Total comprehensive income for the year		165,740,476	144,860,626
Earnings per share			
	26		
Basic earnings per share			
Profit for the year		11.72	13.17

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited

Statement of changes in equity

For the year ended 31 December 2014

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other components of equity	Total
				Appropriated		Unappropriated	Other comprehensive income Unrealised gains (losses) on changes in values of available- for-sale investments	
			Statutory reserve	Other				
Balance as at 1 January 2013		139,000,000	594,436,835	24,848,787	6,163,850	247,765,755	29,684,430	1,041,899,657
Dividend paid	22	-	-	-	-	(13,900,000)	-	(13,900,000)
Total comprehensive income for the year		-	-	-	-	183,010,056	(38,149,430)	144,860,626
Balance as at 31 December 2013		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>416,875,811</u>	<u>(8,465,000)</u>	<u>1,172,860,283</u>
Balance as at 1 January 2014		139,000,000	594,436,835	24,848,787	6,163,850	416,875,811	(8,465,000)	1,172,860,283
Dividend paid	22	-	-	-	-	(90,350,000)	-	(90,350,000)
Total comprehensive income for the year		-	-	-	-	162,910,200	2,830,276	165,740,476
Balance as at 31 December 2014		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>489,436,011</u>	<u>(5,634,724)</u>	<u>1,248,250,759</u>
		-	-	-	-	-	-	-

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited**Statements of cash flows****For the year ended 31 December 2014**

	(Unit: Baht)	
Note	2014	2013
Cash flows from operating activities		
Direct premium written	1,738,986,995	1,655,965,639
Cash received (paid) for reinsurance	(3,088,741)	156,481,517
Losses incurred of direct insurance	(846,089,622)	(880,789,602)
Losses adjustment expenses of direct insurance	(93,918,364)	(93,679,645)
Commissions and brokerages of direct insurance	(272,352,551)	(271,104,368)
Other underwriting expenses	(69,956,540)	(54,877,066)
Interest income	55,205,033	55,531,873
Dividend income	23,562,716	36,312,320
Other investment expenses	(1,708,707)	(1,566,405)
Other income	15,864,023	8,575,142
Operating expenses	(263,610,667)	(202,816,770)
Income tax	(45,910,248)	(22,367,133)
Net cash from operating activities	236,983,327	385,665,502
Cash flows from investing activities		
Cash flows from		
Investments in securities	1,645,012,120	2,229,830,980
Loans	2,240,311	3,548,560
Property, buildings and equipment	11,808,359	402,897
Net cash from investing activities	1,659,060,790	2,233,782,437
Cash flows used in		
Investments in securities	(1,845,213,889)	(2,485,449,046)
Loans	(3,510,850)	(3,839,945)
Property, buildings and equipment	(7,126,562)	(20,849,194)
Intangible assets	(334,200)	(59,321)
Net cash used in investing activities	(1,856,185,501)	(2,510,197,506)
Net cash used in investing activities	(197,124,711)	(276,415,069)

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited

Statements of cash flows (continued)

For the year ended 31 December 2014

		(Unit: Baht)	
	Note	2014	2013
Cash flows from financing activities			
Dividend paid	22	(90,350,000)	(13,900,000)
Net cash used in financing activities		(90,350,000)	(13,900,000)
Net increase (decrease) in cash and cash equivalents		(50,491,384)	95,350,433
Cash and cash equivalents at beginning of year		161,737,384	66,386,951
Cash and cash equivalents at end of year	6	<u>111,246,000</u>	<u>161,737,384</u>

The accompanying notes are an integral part of the financial statements.

Nam Seng Insurance Public Company Limited

Notes to financial statements

For the year ended 31 December 2014

1. General information

1.1 Corporate information

Nam Seng Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the provision of non-life insurance. The Company’s registered office is located at 767 Krungthep-Nonthaburi Road, Bangsue, Bangkok.

1.2 The impact from the severe flooding

In the fourth quarter of 2011, there was severe flooding in Thailand. The floods materially affected the financial statements of the Company, with the financial impact of the floods reflected in the financial statements until 31 December 2014 are as follows:

(Unit: Million Baht)

	Gross claims	Claims refundable		Net claims
		from reinsurers		
		Agreed	Reserve	
Loss reserves and outstanding claims	92	-	(89)	3
Claims paid	312	(248)	-	64
Total	404	(248)	(89)	67
Claims reserve refundable from reinsurance under				
Excess of Loss contracts				(2)
Claims refundable from reinsurance under Excess				
of Loss contracts received				(27)
Net claims recognised in profit or loss				38
Net claims - recognised as expense from 2011 to end of 2013				(40)
Net claims - recognised as revenue during the year ended 31 December 2014 ⁽¹⁾				(2)

⁽¹⁾ Recognised as a deduction item in “Claims and losses adjustment expenses” in the statement of comprehensive income.

The Company currently set aside loss reserves and insurance reserve refundable from reinsurers based on best estimates, with reference to supporting documentation and surveyors’ reports.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and in accordance with Thai accounting practices related to insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”). The presentation of the financial statements has been made in compliance with the Declaration of the Insurance Commission dated 27 May 2010.

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 the Thai language financial statements.

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

3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Report (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

The above-mentioned financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. The Company's management has assessed the effects of these financial reporting standards and believe that they are not relevant to the Company's business or they do not have any significant impact on these financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The Company's management believe that they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of the financial reporting standards involve changes to key principles and are relevant to the Company's business and its financial statement preparation. Those standards are summarised below.

Financial reporting standards that will become effective in or after the accounting period 1 January 2015

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income or loss, or to recognise them gradually in profit or loss.

At present, the Company immediately recognises actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income or loss, there will not have any significant impact on the Company's financial statements.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company believes that this standard will not have any significant impact on the Company's financial statements.

Financial reporting standards that will become effective in or after the accounting period 1 January 2016

TFRS 4 Insurance Contracts

The objective of TFRS 4 is to specify the financial reporting for insurance contracts issued by any entity until the second phase of its project on “Insurance Contracts” is completed. This TFRS requires disclosure that identifies and explains the amounts in an insurer’s financial statements arising from insurance contracts and prohibits provisions for claim reserves on events not yet incurred at the end of the reporting period. In addition, it requires an adequacy test on recognised insurance contract liabilities and an impairment test on reinsurance assets. However, this TFRS exempts an insurer temporarily from some requirements of other TFRSs, including the requirement to consider the framework in selecting accounting policies for insurance contracts.

The Company’s management is still evaluating the first-year impact of TFRS 4 to the financial statements for the year in which TFRS 4 will be adopted and has yet to reach a conclusion.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium income

Premium income consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policyholders, and will be adjusted by unearned premium reserve.

Direct premium income is recognised on the date the insurance policy comes into effect. For policies with coverage periods of longer than 1 year are recognised as income over the coverage period.

Reinsurance premium income is recognised as income when the reinsurer places the reinsurance application or the statement of accounts with the Company.

(b) Commission and brokerage fee income

Commission and brokerage fees from ceded premium are recognised as income in the period of service provided.

(c) Investment revenues

Interest income on investment is recognised as revenue on an accrual basis based on the effective interest rate. Interest income on loan is recognised as revenue over the term of the loan based on the amount of outstanding principal. No accrual is made for loans with interest default over six continuous months. Interest income on deposit is recognised as revenue over the term of deposit on an accrual basis. Dividends on investments are recognised as revenue when the right to receive the dividend is established.

- (d) Gain (loss) on investment

Gain (loss) on investment is recognised as income or expense on the transaction date.

4.2 Expenses recognition

- (a) Ceded premium

Ceded premium is recognised as expense when the insurance risk is transferred to another insurer.

- (b) Commission and brokerage fees

Commissions and brokerages are expenses when incurred.

Commission and brokerage fees paid for policies with coverage periods of longer than one year are recorded as expense when incurred.

- (c) Claims and losses adjustment expenses

Claims and losses adjustment expenses consist of claims and losses adjustment expenses of direct insurance and reinsurance, and include the amounts of the incurred amounts of claims, related expenses, and loss adjustments of the current and prior period, less residual value and other recoveries (if any), and claims refundable from reinsurers.

Claims and losses adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

Claims and losses adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Company.

4.3 Cash and cash equivalents

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

4.4 Premium receivables and allowance for doubtful accounts

Premium receivables from both direct and reinsurance are stated at net realisable value. The Company set up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

4.5 Reinsurance assets and due to reinsurers

(a) Reinsurance assets

Reinsurance assets represent amounts due from reinsurers, amounts deposit on reinsurance and insurance reserve refundable from reinsurers.

Amounts due from reinsurers consist of accrued commission and brokerage income, claims and other various items receivable from reinsurers, excluding reinsurance premium receivable, less allowance for doubtful accounts. The Company records allowance for doubtful accounts for the estimated losses that may be incurred due to inability to make collection, taking into account collection experience and the status of reinsurer receivables as at the end of the reporting period.

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

(b) Due to reinsurers

Amounts due to reinsurers represent outstanding balance payable from reinsurance and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims.

The Company presents net of reinsurance to the same entity (reinsurance assets or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The Company has a legal right to offset amounts presented in the statements of financial position, and
- (2) The Company intends to receive or pay the net amount recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

4.6 Investments in securities

The Company measures investments in securities according to classification of investments as follows:

- (a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss in when the securities are sold.

- (c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium or discount on debt securities is amortised or accreted by the effective rate method with the amortised or accreted amount presented as an adjustment to the interest income. The debt securities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity.
- (d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable security is based on the latest bid price of the last working day of the year of the Stock Exchange of Thailand. The fair value of debt instrument is determined based on yield rate quoted by the Thai Bond Market Association. The fair value of investment unit is determined from its net asset value.

In the event the Company reclassifies investment from one type to another, such investment will be readjusted to its fair value as at the reclassification date. The difference between the carrying amount of the investment and the fair value on the date of reclassification are recorded in profit or loss or recorded as unrealized gain (loss) on change in value of available-for-sale investment in owners' equity, depending on the type of investment that is reclassified.

The Company records purchases and sales of investments on trade dates.

On disposal of an investment, the difference between net disposal proceeds and the cost of the investment is recognised in profit or loss. The weighted average method is used for computation of the cost of an investment.

4.7 Loans and allowance for doubtful accounts

Loans are stated at the net realisable value. The Company accounts for allowance for doubtful accounts on the basis of collection experience, analysis and assessment debtor's settlement ability including valuation of security on a specific account basis.

4.8 Properties foreclosed

Properties foreclosed as stipulated by the OIC are presented at cost less allowance for loss on impairment. Such properties foreclosed consist of (1) properties that belong to the Company as a result of debt settlement or the Company's purchase of properties mortgaged with the Company through an auction held by order of a court or the official receiver, together with possession of properties as a result of finance leasing or hire-purchase; (2) land, buildings and other properties, including leasehold rights, to be used for business operations or for employees and that are no longer used for that purpose.

4.9 Property, buildings 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 the straight-line basis over the following estimated useful lives:

Buildings and building improvements	20 years
Furniture, fixtures and office equipment	5 - 8 years
Vehicles	5 - 7 years

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets under construction.

An item of property, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.10 Intangible assets and amortisation

Intangible assets acquired are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and allowance for 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 asset 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 profit or loss.

The useful lives of intangible assets with finite useful lives are computer software are 3 - 5 years.

4.11 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of property, buildings and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in profit or loss 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 the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimations used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.12 Premium reserve

As at the end of the reporting period, the Company compares the amounts of unexpired risk reserve with unearned premium reserves, and if unexpired risk reserve is higher than unearned premium reserve, the difference is recognised and the unexpired risk reserves are therefore presented in the financial statements.

(a) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

Fire, marine, transportation (hull), motor and miscellaneous	- Monthly average basis (the one-twenty fourth basis)
Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premiums as from the effective date of the inforce policies over the insurance coverage period

(b) Unexpired risk reserves

Unexpired risk reserves are the reserves for the claims that may be incurred in respect of in-force policies. Unexpired risk reserves are set aside using an actuarial method, at the best estimate of the claims that are expected to be incurred during the remaining coverage period, based on historical claims data.

4.13 Loss reserve and outstanding claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate is not however, to exceed the sum-insured under the relevant policy.

The Company has allocated incurred but not reported claim, which is calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the reporting period. The IBNR is calculated for both reported and not reported losses, and net of recorded claims.

4.14 Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

Defined contribution plan

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 recognised as expenses when incurred.

Defined benefit plan

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

The obligation under the defined benefit plan is determined by an independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

4.15 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.

4.16 Long-term leases

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.17 Foreign currencies

The financial statements are presented in Baht, which also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period. Gains and losses on exchange are recorded as revenues or expenses in profit or loss.

4.18 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and its carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

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

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

4.19 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 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. Significant accounting judgments and estimates

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

5.1 Allowance for doubtful accounts on premium receivables and amounts due from reinsurers

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

5.2 Impairment of equity investments

The Company treats available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

5.3 Property, buildings and equipment and depreciation

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

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

5.4 Intangible assets and allowance for impairment loss

The initial recognition and measurement of intangible assets, and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset, including the choice of a suitable discount rate used in calculation of the present value for those cash flows.

5.5 Deferred tax assets

Deferred tax assets are recognised 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 utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

5.6 Loss reserve and outstanding claims

At the end of each reporting period, the Company has to estimate loss reserve and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not reported (IBNR). The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers etc. To perform the calculation, it is necessary to perform analysis based on the type of insurance and to use the services of an actuary with expertise, experience, and an understanding of the insurance business and the Company's products. Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

5.7 Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to incur over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

5.8 Obligations under the defined benefit plan

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

5.9 Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that loss incurred will not exceed the recorded amounts in the financial statements.

5.10 Leases

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

6. Cash and cash equivalents

	(Unit: Baht)	
	2014	2013
Cash on hand	137,552	242,398
Deposits at banks with no fixed maturity date	111,108,448	161,494,986
Deposits at banks with fixed maturity date	1,055,643,500	985,000,000
Total cash and deposits at financial institutions	1,166,889,500	1,146,737,384
Less: Deposits at banks which amount maturing in over 3 months	(1,055,643,500)	(985,000,000)
Cash and cash equivalents	<u>111,246,000</u>	<u>161,737,384</u>

7. Premium receivables

The balances as at 31 December 2014 and 2013 of premium receivables are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)			
	2014			
	Due from insured	Due from agents and brokers	Due from reinsurers	Total
Not yet due	122,899	2,019,930	-	2,142,829
Not over 30 days	1,431,658	121,075,901	60,578	122,568,137
Overdue 31 days to 60 days	1,684,995	28,127,286	3,318	29,815,599
Overdue 61 days to 90 days	770,782	8,687,317	108,298	9,566,397
Overdue 91 days to 1 year	2,912,578	1,631,579	1,048	4,545,205
Overdue 1 year	17,346	10,112,603	-	10,129,949
Total premium receivables	6,940,258	171,654,616	173,242	178,768,116
Less: Allowance for doubtful accounts	(2,663,006)	(28,633,496)	-	(31,296,502)
Premium receivables, net	<u>4,277,252</u>	<u>143,021,120</u>	<u>173,242</u>	<u>147,471,614</u>

(Unit: Baht)

	2013			Total
	Due from insured	Due from agents and brokers	Due from reinsurers	
Not yet due	3,385,452	27,833,213	-	31,218,665
Not over 30 days	671,599	130,350,214	37,028	131,058,841
Overdue 31 days to 60 days	1,808,031	30,693,116	158,046	32,659,193
Overdue 61 days to 90 days	662,050	6,053,602	7,046	6,722,698
Overdue 91 days to 1 year	380,541	3,343,268	-	3,723,809
Overdue 1 year	13,141	11,319,040	-	11,332,181
Total premium receivables	6,920,814	209,592,453	202,120	216,715,387
Less: Allowance for doubtful accounts	(1,056,378)	(22,728,379)	-	(23,784,757)
Premium receivables, net	5,864,436	186,864,074	202,120	192,930,630

For premium receivables due from agents and brokers, the Company has stipulated the collection guideline in accordance with the law of the premium collection. For overdue premium receivables, the Company has the legal process with such agents and brokers.

8. Reinsurance assets

	(Unit: Baht)	
	2014	2013
Amounts deposit on reinsurance	2,929	2,929
Amounts due from reinsurers	43,624,720	116,215,319
Insurance reserve refundable from reinsurers	202,133,858	204,038,678
Reinsurance assets	245,761,507	320,256,926
Less : Allowance for doubtful accounts	(5,054,274)	(2,730,000)
Reinsurance assets, net	240,707,233	317,526,926

Insurance reserve refundable from reinsurers as at 31 December 2014 includes insurance reserve refundable from reinsurers from flooding loss amounting to Baht 91 million (2013: Baht 93 million) as described in Note 1.2 to the financial statements.

The balances as at 31 December 2014 and 2013 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2014	2013
Not over 12 months	43,624,720	116,214,904
Over 2 years	-	415
Total amounts due from reinsurers	43,624,720	116,215,319

9. Investments in securities

9.1 Trading investments

	(Unit: Baht)				
	2014				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	65,632,839	1,363,227	-	66,996,066	2.25
Unit trusts	13,423,815	26,989	-	13,450,804	0.45
Warrants	-	132,032	-	132,032	0.00
Total trading investments	79,056,654	1,522,248	-	80,578,902	2.70
					(Unit: Baht)
	2013				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	38,272,075	1,128,261	-	39,400,336	1.33
Unit trusts	2,305,149	4,946	-	2,310,095	0.08
Total trading investments	40,577,224	1,133,207	-	41,710,431	1.41

9.2 Available-for-sale investments

	(Unit: Baht)				
	2014				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	16,852,899	3,643,347	-	20,496,246	0.69
Unit trusts	278,316,129	-	(11,357,116)	266,959,013	8.95
Debentures	40,041,365	670,364	-	40,711,729	1.37
Total available-for-sale investments	335,210,393	4,313,711	(11,357,116)	328,166,988	11.01

(Unit: Baht)

	2013				Percentage to total assets
	Cost	Unrealised gain	Unrealised loss	Fair value	
Private enterprise securities					
Stocks	15,273,610	3,638,586	-	18,912,196	0.64
Unit trusts	237,375,479	-	(14,219,835)	223,155,644	7.52
Total available-for-sale investments	252,649,089	3,638,586	(14,219,835)	242,067,840	8.16

9.3 Held to-maturity investments

(Unit: Baht)

	2014		2013	
	Cost/ Amortised cost	Percentage to total assets	Cost/ Amortised cost	Percentage to total assets
Government and state enterprise securities				
Government securities	410,056,209	13.75	454,657,721	15.33
State enterprise securities	110,094,833	3.69	60,068,564	2.03
Total	520,151,042	17.45	514,726,285	17.36
Private enterprise securities				
Debentures	147,652,558	4.95	158,000,000	5.33
Total	147,652,558	4.95	158,000,000	5.33
Deposits at banks - maturity over 3 months				
Deposits at commercial banks	1,055,643,500	35.41	985,000,000	33.22
Government savings bank lottery	29,000,000	0.97	23,000,000	0.78
Total	1,084,643,500	36.38	1,008,000,000	33.99
Total held-to-maturity investments	1,752,447,100	58.78	1,680,726,285	56.68

9.4 Other investments

(Unit: Baht)

	2014		2013	
	Cost	Percentage to total assets	Cost	Percentage to total assets
Non-marketable equity securities - local	2,048,020	0.07	2,223,020	0.07
Total other investments	2,048,020	0.07	2,223,020	0.07

9.5 Remaining period of debt securities

(Unit: Baht)

	2014				2013			
	Period to maturity			Total	Period to maturity			Total
	1 year	1 - 5 years	Over 5 years		1 year	1 - 5 years	Over 5 years	
Available-for-sale investment								
Private enterprise securities								
Debentures	-	40,041,365	-	40,041,365	-	-	-	-
Add: Unrealised gains	-	670,364	-	670,364	-	-	-	-
Total available-for-sale investment	-	40,711,729	-	40,711,729	-	-	-	-
Held-to-maturity investments								
Government and state enterprise securities								
Government securities	122,354,333	212,332,866	75,369,010	410,056,209	90,529,070	201,346,881	162,781,770	454,657,721
State enterprise securities	10,007,173	40,087,660	60,000,000	110,094,833	10,010,442	40,058,122	10,000,000	60,068,564
Total	132,361,506	252,420,526	135,369,010	520,151,042	100,539,512	241,405,003	172,781,770	514,726,285
Private enterprise securities								
Debentures	30,000,000	52,434,997	65,217,561	147,652,558	83,000,000	60,000,000	15,000,000	158,000,000
Total	30,000,000	52,434,997	65,217,561	147,652,558	83,000,000	60,000,000	15,000,000	158,000,000
Deposits at banks with amounts maturing in over 3 months								
Deposit at commercial banks	965,643,500	90,000,000	-	1,055,643,500	920,000,000	65,000,000	-	985,000,000
Government savings bank lottery	-	29,000,000	-	29,000,000	13,000,000	10,000,000	-	23,000,000
Total	965,643,500	119,000,000	-	1,084,643,500	933,000,000	75,000,000	-	1,008,000,000
Total held-to-maturity investments	1,128,005,006	423,855,523	200,586,571	1,752,447,100	1,116,539,512	376,405,003	187,781,770	1,680,726,285

As at 31 December 2014 and 2013, certain bonds have been pledged with the Registrar of the Office of Insurance Commission and have been placed as a security in the normal course of business as discussed in Notes 28, 29 and 30.

9.6 Unrealised gains (losses) on available-for-sale investments

(Unit: Baht)

	For the years ended 31 December	
	2014	2013
Unrealised gains (losses) on available-for-sale investments - beginning of the year	(10,581,249)	37,105,538
Changes during the year	3,537,844	(47,686,787)
Unrealised losses on available-for-sale investments - end of the year	(7,043,405)	(10,581,249)
Less: Income taxes	1,408,681	2,116,249
Unrealised losses on available-for-sale investments, net of income taxes	(5,634,724)	(8,465,000)

10. Loans and accrued interest income

As at 31 December 2014 and 2013, loans and accrued interest aged by principal and accrued interest are as follows:

(Unit: Baht)

Outstanding period	2014						Total
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
Not yet due	7,635,330	3,923	709,485	-	8,344,815	3,923	8,348,738
Overdue							
More than 12 months	-	-	518,373	-	518,373	-	518,373
Total	7,635,330	3,923	1,227,858		8,863,188	3,923	8,867,111
Less: Allowance for doubtful accounts	-	-	(518,373)	-	(518,373)	-	(518,373)
Loans and accrued interest, net	7,635,330	3,923	709,485	-	8,344,815	3,923 ⁽¹⁾	8,348,738

⁽¹⁾ Included as a part of "Accrued investment income" in statements of financial position

(Unit: Baht)

Outstanding period	2013						Total
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
Not yet due	6,508,862	2,571	565,414	33	7,074,276	2,604	7,076,880
Overdue							
More than 12 months	-	-	314,526	203,847	314,526	203,847	518,373
Total	6,508,862	2,571	879,940	203,880	7,388,802	206,451	7,595,253
Less: Allowance for doubtful accounts	-	-	(314,526)	(203,847)	(314,526)	(203,847)	(518,373)
Loans and accrued interest, net	6,508,862	2,571	565,414	33	7,074,276	2,604 ⁽¹⁾	7,076,880

⁽¹⁾ Included as a part of "Accrued investment income" in statements of financial position

The credit limit on employee loans that are secured by personal guarantees is set at 20 times the employee's monthly salary, and may not exceed Baht 500,000. If loans are secured by the mortgage of property, the credit limit is 90% of the assessed value of the property. Also taken into account is the purpose of the loan, ability to settle the debt, while the interest rate may be set higher or lower than MLR of a commercial bank.

11. Properties foreclosed

(Unit: Baht)

	2014	2013
Properties received from debt settlement -		
immovable property	9,387,383	17,221,271
Less: Allowance for impairment	(2,072,770)	(2,072,770)
Properties foreclosed, net	7,314,613	15,148,501

12. Property, buildings and equipment

(Unit: Baht)

	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
Cost:						
1 January 2013	103,472,866	98,046,711	83,524,696	11,198,821	15,424,000	311,667,094
Additions	-	-	4,119,194	-	965,750	5,084,944
Transfer during the year	-	15,450,000	314,250	-	(15,764,250)	-
Disposals / write-off	-	-	(3,555,826)	(849,959)	-	(4,405,785)
31 December 2013	103,472,866	113,496,711	84,402,314	10,348,862	625,500	312,346,253
Additions	-	-	5,572,098	894,000	660,464	7,126,562
Transfer during the year	-	-	1,285,964	-	(1,285,964)	-
Disposals / write-off	(1,435,000)	(5,788,934)	(2,306,720)	-	-	(9,530,654)
31 December 2014	102,037,866	107,707,777	88,953,656	11,242,862	-	309,942,161
Accumulated depreciation:						
1 January 2013	-	71,840,925	70,868,137	6,292,515	-	149,001,577
Depreciation for the year	-	5,125,238	5,753,814	1,230,240	-	12,109,292
Depreciation on disposals/write-off	-	-	(3,536,547)	(849,958)	-	(4,386,505)
31 December 2013	-	76,966,163	73,085,404	6,672,797	-	156,724,364
Depreciation for the year	-	7,229,833	5,260,290	1,235,041	-	13,725,164
Depreciation on disposals/write-off	-	(5,303,502)	(2,249,283)	-	-	(7,552,785)
31 December 2014	-	78,892,494	76,096,411	7,907,838	-	162,896,743
Net book value:						
31 December 2013	103,472,866	36,530,548	11,316,910	3,676,065	625,500	155,621,889
31 December 2014	102,037,866	28,815,283	12,857,245	3,335,024	-	147,045,418
Depreciation for the year						
2013						12,109,292
2014						13,725,164

As at 31 December 2014, certain buildings and equipment have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 102.8 million (2013: Baht 69.8 million).

13. Intangible assets

	(Unit: Baht)
	<u>Computer software</u>
Cost:	
1 January 2013	6,486,662
Acquisition of computer software	59,321
31 December 2013	6,545,983
Acquisition of computer software	334,200
Disposals of computer software	(11,360)
31 December 2014	6,868,823
Accumulated amortisation:	
1 January 2013	3,953,508
Amortisation charge	899,341
31 December 2013	4,852,849
Amortisation charge	970,897
Amortisation change on disposals	(11,358)
31 December 2014	5,812,388
Net book value:	
31 December 2013	1,693,134
31 December 2014	1,056,435
Amortisation for the year	
2013	899,341
2014	970,897

As at 31 December 2014, certain computer software items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 3.9 million (2013: Baht 3.7 million).

14. Income tax

14.1 Deferred tax assets and liabilities

Deferred tax assets and liabilities arose from the following temporally differences:

	(Unit: Baht)	
	2014	2013
Deferred tax assets		
Allowance for doubtful debts	8,289,256	7,020,344
Premium reserves	30,108,879	28,925,451
Provision for losses incurred but not yet reported (IBNR)	13,266,562	9,249,645
Loss reserves	30,501,785	30,718,547
Provision for long-term employee benefits	6,866,136	6,108,484
Unrealised losses on changes in values of available-for-sale investments	1,408,681	2,116,249
Total	<u>90,441,299</u>	<u>84,138,720</u>
Deferred tax liabilities		
Unrealised gains on changes in values of trading investments	(304,449)	(226,642)
Total	<u>(304,449)</u>	<u>(226,642)</u>
Deferred tax assets, net	<u>90,136,850</u>	<u>83,912,078</u>

14.2 Income tax expenses

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Baht)	
	2014	2013
Current income tax:		
Current income tax charge	42,988,983	34,406,597
Deferred tax:		
Relating to origination and reversal of temporary differences	(6,932,339)	4,207,067
Income tax expense reported in the statements of comprehensive income	<u>36,056,644</u>	<u>38,613,664</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Baht)	
	2014	2013
Deferred tax relating to gains (losses) on changes in value of available-for-sale investments	<u>(707,568)</u>	<u>9,537,357</u>

Reconciliation between income tax expenses and the product of accounting profits multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013:

	(Unit: Baht)	
	2014	2013
Accounting profits before tax	<u>198,966,844</u>	<u>221,623,720</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	39,793,368	44,324,744
Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profits	<u>(3,736,724)</u>	<u>(5,711,080)</u>
Income tax expenses reported in the statements of comprehensive income	<u>36,056,644</u>	<u>38,613,664</u>

15. Other assets

	(Unit: Baht)	
	2014	2013
Advances	1,413,365	1,950,630
Prepaid expenses	736,579	19,676,655
Undue input tax	3,038,983	4,118,579
Claim receivable from litigants	2,176,516	2,095,034
Notes receivable	6,805,907	8,787,489
Receivable on sales securities	20,073,150	-
Others	<u>12,395,988</u>	<u>11,589,385</u>
Total other assets	<u>46,640,488</u>	<u>48,217,772</u>

16. Due to reinsurers

	(Unit: Baht)	
	2014	2013
Outward premium payables	43,849,770	125,595,183
Amounts withheld on reinsurance	66,568,227	31,703,126
Total due to reinsurers	<u>110,417,997</u>	<u>157,298,309</u>

17. Loss reserves and outstanding claims

	(Unit: Baht)	
	2014	2013
Beginning Balance	604,279,480	882,432,492
Claims and losses adjustment expenses for the year	958,378,415	878,395,979
Change in claims and losses adjustment expenses paid of the prior year	(27,424,704)	(179,441,997)
Claims and losses adjustment expenses paid during the year	(945,650,663)	(977,106,994)
Ending balance	<u>589,582,528</u>	<u>604,279,480</u>

As at 31 December 2014 and 2013 the Company, which is reinsurer under the reinsurance contracts, has loss reserve and outstanding claims under such contracts of Baht 0.1 million and Baht 0.3 million, respectively.

Loss reserves and outstanding claims as at 31 December 2014 include loss reserves and outstanding claims from flooding claim amounting to Baht 92 million as described in Note 1.2 to the financial statements (2013: Baht 136 million).

18. Premium reserve

Premium reserve is the liability under insurance contracts, and is the higher of unearned premium reserve and unexpired risk reserve.

18.1 Unearned premium reserves

	(Unit: Baht)	
	2014	2013
Beginning balance	832,842,359	703,776,210
Premium written for the year	1,720,732,634	1,696,522,213
Premium earned for the current year	(1,689,334,188)	(1,567,456,064)
Ending balance	<u>864,240,805</u>	<u>832,842,359</u>

18.2 Unexpired risk reserves

	(Unit: Baht)	
	2014	2013
Beginning balance	583,736,316	540,889,734
Estimated claims for the year	1,201,568,465	1,264,428,938
Risk expired during the year	(1,230,546,699)	(1,221,582,356)
Ending balance	<u>554,758,082</u>	<u>583,736,316</u>

19. Employee benefit obligations

Provisions for employee benefits are as follows:

	(Unit: Baht)	
	2014	2013
Short-term benefits	21,990,090	18,155,138
Long-term benefits	34,330,679	30,542,419
Total	<u>56,320,769</u>	<u>48,697,557</u>

Provision for long-term employee benefits, which is compensation on employees' retirement, was as follows:

	(Unit: Baht)	
	2014	2013
Defined benefit obligation at beginning of year	30,542,419	26,333,007
Current service cost	2,048,241	1,472,492
Interest cost	1,220,704	908,236
Benefit paid during the year	(1,788,500)	(1,630,800)
Actuarial loss	2,307,815	3,459,484
Defined benefit obligation at end of year	<u>34,330,679</u>	<u>30,542,419</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Baht)	
	2014	2013
Current service cost	2,048,241	1,472,492
Interest cost	1,220,704	908,236
Actuarial loss recognised during the year	2,307,815	3,459,484
Total expenses recognised in profit or loss	<u>5,576,760</u>	<u>5,840,212</u>

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	2014	2013
Discount rate	3.2	4.1
Future salary increase rate	4.5 - 7.0	4.5 - 7.0
Staff turnover rate (depending on age)	7.0 - 18.0	7.0 - 18.0

Amounts of defined benefit obligation for the current and previous two years are as follows:

	(Unit: Million Baht)	
	Defined benefit obligation	Experience adjustments on the obligation
Year 2014	34.3	2.3
Year 2013	30.5	3.5
Year 2012	26.3	1.2

20. Other liabilities

	(Unit: Baht)	
	2014	2013
Account payable - Revenue Department	5,343,558	5,392,008
Withholding tax payable	2,272,317	1,379,401
Undue output tax	9,544,386	12,547,263
Accrued expenses	21,961,099	19,735,677
Deposits from brokers	21,764,430	13,541,873
Premium received in advance	-	22,257,344
Others	9,892,708	21,014,008
Total other liabilities	<u>70,778,498</u>	<u>95,867,574</u>

21. 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 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 capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

22. Dividend paid

Dividend declared during the years 2014 and 2013 consists of the following:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
Final dividends for 2013	Annual General Meeting of the shareholders on 31 March 2014	90.4	6.5
Final dividends for 2012	Annual General Meeting of the Shareholders on 29 April 2013	13.9	1.0

23. Underwriting information reported by insurance categories

Underwriting information classified by insurance categories for the year ended 31 December 2014 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	38,088,672	17,896,949	1,447,144,778	173,486,864	44,115,371	1,720,732,634
Less: Premium ceded	(25,563,941)	(13,342,116)	(8,285,308)	(78,836,451)	(35,553,770)	(161,581,586)
Net premium written	12,524,731	4,554,833	1,438,859,470	94,650,413	8,561,601	1,559,151,048
Add (less): Unearned premium reserve	543,396	(2,040,040)	20,084,623	(17,645,799)	752,868	1,695,048
Earned premium	13,068,127	2,514,793	1,458,944,093	77,004,614	9,314,469	1,560,846,096
Fee and commission income	12,713,066	4,748,018	-	22,972,686	5,985,691	46,419,461
Total underwriting income	25,781,193	7,262,811	1,458,944,093	99,977,300	15,300,160	1,607,265,557
Underwriting expenses						
Claims and losses adjustment expenses	2,746,123	1,246,195	835,299,570	42,002,925	(3,255,179)	878,039,634
Commission and brokerage expenses	9,559,289	2,396,352	232,537,411	17,083,044	5,485,376	267,601,472
Other underwriting expenses	952,507	546,407	41,789,907	5,421,119	1,380,764	50,090,704
Contribution to Road Accident Victims Protection Co., Ltd.	-	-	19,865,835	-	-	19,865,835
Total underwriting expenses before operating expenses	13,257,919	4,188,954	1,129,492,723	64,507,088	3,610,961	1,215,057,645
Operating expenses						292,141,106
Total underwriting expenses						1,507,198,751

Underwriting information classified by insurance categories for the year ended 31 December 2013 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	39,249,217	23,363,261	1,492,922,035	101,111,341	39,876,359	1,696,522,213
Less: Premium ceded	(25,338,592)	(19,035,064)	(13,068,576)	(33,002,632)	(27,895,833)	(118,340,697)
Net premium written	13,910,625	4,328,197	1,479,853,459	68,108,709	11,980,526	1,578,181,516
Add (less): Unearned premium reserve	(650,092)	2,001,162	(105,120,096)	(8,932,715)	2,934,013	(109,767,728)
Earned premium	13,260,533	6,329,359	1,374,733,363	59,175,994	14,914,539	1,468,413,788
Fee and commission income	14,040,937	5,418,956	32,512	8,649,020	4,748,971	32,890,396
Total underwriting income	27,301,470	11,748,315	1,374,765,875	67,825,014	19,663,510	1,501,304,184
Underwriting expenses						
Claims and losses adjustment expenses						
Commission and brokerage expenses	1,173,045	(372,105)	759,850,696	27,136,621	1,562,772	789,351,029
Other underwriting expenses	10,343,216	2,619,187	246,344,953	14,363,064	4,335,291	278,005,711
Contribution to Road Accident Victims Protection Co., Ltd.	1,004,834	793,792	30,237,970	3,450,264	1,340,353	36,827,213
Total underwriting expenses before operating expenses	-	-	18,049,853	-	-	18,049,853
Operating expenses	12,521,095	3,040,874	1,054,483,472	44,949,949	7,238,416	1,122,233,806
Total underwriting expenses						262,109,693
						1,384,343,499

24. Operating expenses

	(Unit: Baht)	
	2014	2013
Personnel expenses which are not expenses for underwriting and claims	90,006,840	80,885,387
Property and equipment expenses which are not expenses for underwriting	77,038,240	70,894,417
Taxes and duties	629,584	519,667
Bad debts and doubtful accounts (reversal)	11,352,775	(21,069)
Other operating expenses	113,113,667	109,831,291
Total operating expenses	292,141,106	262,109,693

25. Employee expenses

	(Unit: Baht)	
	2014	2013
Salaries and wages	162,199,588	143,326,098
Social security fund	1,236,047	812,021
Employee benefit fund	7,715,848	7,695,317
Others benefits	11,537,463	10,568,837
Total employee expenses	182,688,946	162,402,273

The Company and its employees jointly established a provident fund under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company on a monthly basis, at rates ranging from 3% to 6% of the employees' basic salaries, based on the length of employment. The fund is managed by a fund manager which has been approved by the Ministry of Finance. During the years ended 31 December 2014 and 2013, the Company contributed approximately Baht 6.4 million and Baht 5.8 million, respectively, to the fund.

26. Earning per shares

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

27. Related party transactions

27.1 Nature of relationship

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

The relationships between the Company and its related parties are summarised below.

Name of related parties	Relationship with the Company
Dung Seng Insurance Broker Co., Ltd.	Related by way of common shareholder
Asia Hotel Plc.	Related by way of common directors
Asia Pattaya Hotel Co., Ltd.	Related by way of common directors
Zeer Group Plc.	Related by way of common directors
Zeer Property Plc.	Related by way of common directors
Asia Airport Hotel Co., Ltd.	Related by way of common directors
N.S.B. Co., Ltd.	Related by way of common directors and shareholding

27.2 Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit: Baht)	
	2014	2013
Premium written		
Dung Seng Insurance Broker Co., Ltd.*	928,308,723	1,015,673,802
Asia Hotel Plc.	1,084,929	674,841
Asia Pattaya Hotel Co., Ltd.	619,671	589,725
Zeer Property Plc.	2,936,611	1,373,349
Asia Airport Hotel Co., Ltd.	653,976	527,921
Zeer Group Plc.	125,000	-
Commission paid		
Dung Seng Insurance Broker Co., Ltd.	161,361,410	177,013,258
Rental of building space		
N.S.B. Co., Ltd.	1,160,347	1,262,649
Service fee of building space		
N.S.B. Co., Ltd.	18,472,221	20,113,159

* Premium written from non-life insurance brokers

	Transfer pricing policy
Premium written	Normal commercial terms for underwriting
Commission paid	Consistent with those paid to other brokers and not exceed the rate stipulated by the Office of Insurance Commission
Rental of building space	Contract price
Service fee of building space	Contract price

27.3 Outstanding balances

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Baht)	
	2014	2013
Premium receivables (net of notes receivable from agent)		
Dung Seng Insurance Broker Co., Ltd.	123,462,787	132,842,037
Prepaid rental and service fee of building space		
N.S.B. Co., Ltd.	-	19,450,101
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	20,844,161	22,629,593

27.4 Directors and key management's remuneration

During the year ended 31 December 2014 and 2013, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	2014	2013
Short-term employee benefits	16.6	23.3
Post-employment benefits	0.6	0.4
Total	<u>17.2</u>	<u>23.7</u>

28. Securities placed with the Registrar

As at 31 December 2014 and 2013, the Company has pledged its securities with the Registrar in accordance with the Non-life Insurance Act as follows:

	(Unit: Baht)			
	2014		2013	
	Cost	Fair value	Cost	Fair value
Government bonds	<u>14,000,000</u>	<u>14,093,214</u>	<u>14,000,000</u>	<u>14,155,684</u>

29. Assets reserved with the Registrar

As at 31 December 2014 and 2013, the Company has pledged its securities as non-life insurance reserve with the Registrar in accordance with the Non-life Insurance Act as follows:

(Unit: Baht)

	2014		2013	
	Cost	Fair value	Cost	Fair value
Government bonds	180,000,000	188,881,726	208,000,000	211,156,472

30. Collateralised assets

As at 31 December 2014 and 2013, the Company has collateralised assets as follows:

(Unit: Baht)

		2014	2013
Government bonds	- As collateral for bail bonds	5,680,000	10,570,000
	- As collateral for drives guarantee	600,000	900,000
	- As collateral for electrical usage	300,000	300,000
	- As collateral for bank overdrafts	10,000,000	10,000,000
	- As collateral for maintenance contracts	500,000	500,000
Government saving bank lottery	- As collateral for Bank for Agriculture and Agricultural Cooperatives	2,000,000	2,000,000
	- As collateral for drives guarantee	200,000	200,000
	- As collateral for bail bonds	400,000	-
Total		19,680,000	24,470,000

30. Contribution to the General Insurance Fund

(Unit: Baht)

	2014	2013
Accumulated contribution at the beginning of the year	14,207,912	10,000,347
Contribution during the year	4,288,439	4,207,565
Accumulated contribution at the end of the year	18,496,351	14,207,912

32. Commitments and contingent liabilities

32.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space. The terms of the agreements are generally between 3 and 20 years.

As at 31 December 2014 and 2013, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	2014	2013
Payable:		
In up to 1 year	1.8	21.0
In over 1 and up to 5 years	1.9	1.4

32.2 Litigation

As at 31 December 2014, the Company, as an insurer, has been sued for damaged amounting to approximately Baht 548.3 million. The total sum insured covered by insurance policies is Baht 53.6 million. The outcomes of these cases have not yet been finalised. However, the Company has set aside reserve for its losses totaling Baht 51.5 million in the financial statements.

33. 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 to the segment and assess its performance. The Chief Operating Decision Maker has been identified as Managing Director.

For management purposes, the Company are organised into business units based on non-life insurance and have two reportable segments which are motor insurance and others insurance.

The Chief Operating Decision Maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The following tables present revenue and profit regarding the Company' operating segments for the years ended 31 December 2014 and 2013, respectively.

(Unit: Baht)

	Motor		Others		Total	
	2014	2013	2014	2013	2014	2013
Underwriting income						
Premium written	1,447,144,778	1,492,922,035	273,587,856	203,600,178	1,720,732,634	1,696,522,213
Less: Premium ceded	(8,285,308)	(13,068,576)	(153,296,278)	(105,272,121)	(161,581,586)	(118,340,697)
Add (less): Unearned premium reserve	20,084,623	(105,120,096)	(18,389,575)	(4,647,632)	1,695,048	(109,767,728)
Earned premium	1,458,944,093	1,374,733,363	101,902,003	93,680,425	1,560,846,096	1,468,413,788
Fee and commission income	-	32,512	46,419,461	32,857,884	46,419,461	32,890,396
Total underwriting income	1,458,944,093	1,374,765,875	148,321,464	126,538,309	1,607,265,557	1,501,304,184
Underwriting expenses						
Claims and losses adjustment expenses	835,299,570	759,850,696	42,740,064	29,500,333	878,039,634	789,351,029
Commission and brokerage expenses	232,537,411	246,344,953	34,524,061	31,660,758	267,061,472	278,005,711
Other underwriting expenses	41,789,907	30,237,970	8,300,797	6,589,243	50,090,704	36,827,213
Contribution to Road Accident Victims Protection Co., Ltd.	19,865,835	18,049,853	-	-	19,865,835	18,049,853
Operating expenses	288,272,307	254,511,905	3,868,799	7,597,788	292,141,106	262,109,693
Total underwriting expenses	1,417,765,030	1,308,995,377	89,433,721	75,348,122	1,507,198,751	1,384,343,499
Profits from underwriting	41,179,063	65,770,498	58,887,743	51,190,187	100,066,806	116,960,685
Net investment income					82,597,446	91,816,068
Gains on investments					10,749,222	30,051,958
Fair value gains (losses)					389,041	(15,390,310)
Other income					15,864,023	8,575,143
Profit from operation					209,666,538	232,013,544
Contribution to the Office of Insurance Commission					(4,789,554)	(4,708,802)
Contribution to the General Insurance Fund					(4,288,439)	(4,207,565)
Contribution to the Victims Compensation Fund					(1,621,701)	(1,473,457)
Profit before income tax expenses					198,966,844	221,623,720
Income tax expenses					(36,056,644)	(38,613,664)
Profit for the year					162,910,200	183,010,056

Segments assets and liabilities as at 31 December 2014 and 2013 are as follows:

(Unit: Baht)

	Motor	Others	Unallocated assets/liabilities	Total
Assets				
31 December 2014	133,245,739	254,933,109	2,593,401,721	2,981,580,569
31 December 2013	184,017,947	326,439,609	2,454,679,005	2,965,136,561
Liabilities				
31 December 2014	1,189,474,255	407,638,089	136,217,466	1,733,329,810
31 December 2013	1,222,230,325	435,698,702	134,347,251	1,792,276,278

Geographic information

The Company is operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

Major customers

For the year 2014, the Company has revenue from one major broker in amount of Baht 880 million, arising from sales by the motor segment (2013: Baht 964 million derived from one major broker, arising from sales by the motor segment).

34. Financial instruments

34.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium receivables, investments in securities, and loans. 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 premium receivables, and mortgage loans.

Concentrations of the credit risk with respect to loans and premiums receivables are insignificant due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand. The maximum exposure to credit risk is the book value of assets after deduction of allowance for doubtful accounts as presented in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions and investments in securities.

Significant financial assets as at 31 December 2014 and 2013 classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date are classified below.

(Unit: Million Baht)

	2014						
	Fixed interest rates			Floating interest rate	Non-interest Bearing	Total	Interest rate (% p.a)
	Within 1 year	2 - 5 years	Over 5 years				
Cash equivalent	101	-	-	-	10	111	0.00% - 1.00%
Investments in securities							
Government and state enterprise securities	132	253	135	-	-	520	3.01% - 8.25%
Private enterprise debt securities	30	93	65	-	-	188	3.68% - 5.75%
Deposits at financial institutions	966	90	-	-	-	1,056	2.55% - 4.00%
Government saving bank lottery	-	29	-	-	-	29	1.00% - 1.42%
Mortgage loans, net	-	-	-	8	-	8	5.38% - 15.00%
Total	1,229	465	200	8	10	1,912	

(Unit: Million Baht)

	2013						
	Fixed interest rates			Floating interest rate	Non-interest Bearing	Total	Interest rate (% p.a)
	Within 1 year	2 - 5 years	Over 5 years				
Cash equivalent	151	-	-	-	11	162	0.00% - 1.00%
Investments in securities							
Government and state enterprise securities	101	241	173	-	-	515	1.00% - 8.25%
Private enterprise debt securities	83	60	15	-	-	158	3.70% - 6.00%
Deposits at financial institutions	920	65	-	-	-	985	2.70% - 4.00%
Government saving bank lottery	13	10	-	-	-	23	1.00% - 1.50%
Mortgage loans, net	-	-	-	7	-	7	5.13% - 10.13%
Total	1,268	376	188	7	11	1,850	

Foreign currency risk

The Company considers no significant foreign currency risk because it has insignificant foreign currency transaction, and insignificant financial assets and liabilities denominated in foreign currencies outstanding at the statement of financial position date.

34.2 Fair value of financial instruments

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

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

Investments in securities

The fair value of marketable security is based on its quoted market price.

The fair values of deposits at financial institutions, bonds, debentures and bill of exchange with periods to maturity of less than 90 days are based on their carrying values. For those with periods to maturity of longer than 90 days, fair value is estimated using a discounted cash flow method based on the current interest rate and the remaining period to maturity.

As at 31 December 2014 and 2013, the aggregate carrying values and fair values of investments in held-to-maturity securities are as follows:

	2014		2013	
	Book value	Fair value	Book value	Fair value
Government and state				
enterprise securities	520	538	515	521
Private enterprise debt				
securities	148	152	158	160

Loans

Fair value of floating interest rate loans with no significant credit risk is based on carrying value as presented in the statement of financial position.

35. Capital management

The primary objectives of the Company's capital management are to ensure that it preserves the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the Office of Insurance Commission.

36. Approval of the financial statements

These financial statements were authorised for issue by the Company's authorised director on 25 February 2015.