

Nam Seng Insurance Public Company Limited
Review report and interim financial statements
For the three-month and six-month periods ended
30 June 2012 and 2011

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Nam Seng Insurance Public Company Limited

I have reviewed the accompanying statement of financial position of Nam Seng Insurance Public Company Limited as at 30 June 2012, the related statements of comprehensive income for the three-month and six-month periods ended 30 June 2012, the statements of changes in equity and cash flows for the six-month period ended 30 June 2012, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my reviews.

Scope of review

I conducted my reviews in accordance with Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Emphasis of matter

Without expressing a qualified conclusion on the aforementioned interim financial information, I draw attention that as described in Notes 1.3 to the financial statements, regarding the impact from the severe flooding. Although the Company set aside loss reserves based on best estimates, there are inherent uncertainties in the assumptions used by management in preparing the loss reserves, which could affect the amount of claim reserve refundable from reinsurers. Actual results could significantly differ from the estimates.

The statements of financial position as at 31 December 2011 and 1 January 2011 for comparative purposes

The financial statements of Nam Seng Insurance Public Company Limited for the year ended 31 December 2011 were audited in accordance with generally accepted auditing standards by another auditor who expressed an unqualified opinion on those statements, under his report dated 24 February 2012. The statements of financial position as at 31 December 2011 and 1 January 2011, as presented herein for comparative purposes, formed an integral part and a brought forward of those financial statements, respectively. As described in Note 21 to the financial statements, during the current period, the Company has reclassified items in the financial statements as at 31 December 2011 and 1 January 2011 and presented herein for comparative purposes. In my opinion, the reclassifications made have been appropriately presented.

The interim financial information for the three-month and six-month periods ended 30 June 2011 for comparative purposes

The statement of comprehensive income for the three-month and six-month periods ended 30 June 2011, the statements of changes in equity and cash flows for the six-month period ended 30 June 2011 of Nam Seng Insurance Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial information which was reviewed by the aforementioned auditor who reported, under his report dated 9 August 2011, that nothing had come to his attention that caused him to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 9 August 2012

Nam Seng Insurance Public Company Limited

Statements of financial position

As at 30 June 2012 and 31 December 2011 and 1 January 2011

		(Unit: Baht)		
	Note	30 June 2012	31 December 2011	1 January 2011
		(Unaudited but reviewed)	(Audited) (Reclassified)	(Audited) (Reclassified)
Assets				
Cash and cash equivalents	2	65,872,477	46,644,783	34,737,649
Accrued investment income		11,030,485	11,828,259	9,229,901
Premium receivables, net	3	183,117,026	151,185,920	148,168,661
Reinsurance assets	4	627,511,908	728,115,139	174,228,905
Investment assets				
Investments in securities				
Trading investments	5	53,576,990	49,996,692	-
Available-for-sale investments	5	387,368,161	362,796,916	461,476,862
Held-to-maturity investments	5	1,227,999,006	1,195,078,779	1,024,302,540
Other investments	5	2,223,020	2,223,020	2,223,020
Loans, net	6	6,796,537	6,662,845	13,885,057
Properties foreclosed, net		20,839,255	24,887,004	38,956,936
Property and equipment, net	7	163,904,168	167,556,737	160,788,354
Claim receivable from litigants		2,774,627	2,694,284	3,627,952
Notes receivable		8,124,909	9,058,540	13,914,681
Other assets	8	25,101,806	32,952,262	16,838,930
Total assets		2,786,240,375	2,791,681,180	2,102,379,448

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

Nam Seng Insurance Public Company Limited

Statements of financial position (continued)

As at 30 June 2012 and 31 December 2011 and 1 January 2011

(Unit: Baht)

	Note	30 June 2012	31 December 2011	1 January 2011
		(Unaudited but reviewed)	(Audited) (Reclassified)	(Audited) (Reclassified)
Liabilities and equity				
Liabilities				
Income tax payable		8,324,758	-	5,079,017
Due to reinsurers	9	84,714,805	67,928,775	80,786,347
Insurance contract liabilities				
Loss reserves and outstanding claims	10	1,004,665,786	1,130,886,876	526,347,827
Premium reserve	11	641,887,556	559,554,156	553,960,860
Employee benefit obligations		33,133,631	39,216,280	38,989,984
Accrued commissions		37,781,375	33,075,070	30,335,975
Deposit from brokers		15,877,265	6,706,010	9,317,420
Premium received in advance		19,449,536	13,726,670	18,133,794
Other liabilities	12	46,171,066	41,010,658	42,221,559
Total liabilities		1,892,005,778	1,892,104,495	1,305,172,783
Equity				
Share capital				
Registered				
20,000,000 ordinary shares of Baht 10 each		200,000,000	200,000,000	200,000,000
Issued and paid-up				
13,900,000 ordinary shares of Baht 10 each		139,000,000	139,000,000	139,000,000
Premium on share capital		594,436,835	594,436,835	594,436,835
Retained earnings				
Appropriated				
Legal reserve		24,848,787	24,848,787	24,848,787
Others		6,163,850	6,163,850	6,163,850
Unappropriated		110,692,033	116,914,094	(355,594)
Other components of equity		19,093,092	18,213,119	33,112,787
Total equity		894,234,597	899,576,685	797,206,665
Total liabilities and equity		2,786,240,375	2,791,681,180	2,102,379,448
		-	-	-

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited

Statements of comprehensive income

For the three-month periods ended 30 June 2012 and 2011

		(Unit: Baht)	
	Note	2012	2011
Income			
Net earned premium	13	279,410,897	274,285,478
Fee and commission income	13	5,009,737	6,121,596
Total income		284,420,634	280,407,074
Expenses			
Underwriting			
Claims expenses			
Claims and loss adjustment expenses	13	150,574,140	156,164,462
Commission and brokerage expenses	13	53,328,663	45,777,804
Other underwriting expenses	13	6,653,663	8,550,482
Contribution to Road Accident Victims Protection			
Company Limited	13	4,361,354	3,687,440
Operating expenses	13, 14	60,585,534	55,191,433
Total underwriting expenses		275,503,354	269,371,621
Profit from underwriting		8,917,280	11,035,453
Net investment income		35,709,006	20,378,177
Gains on investments		4,728,306	526,654
Fair value loss		(2,525,689)	-
Other income			
Gain on sale of assets		1,118,701	2,895
Others		624,526	700,584
Profit from operations		48,572,130	32,643,763
Contribution to the Office of Insurance Commission		(944,434)	(810,064)
Contribution to General Insurance Fund		(787,028)	(540,042)
Contribution to Victims Compensation Fund		(369,703)	(301,016)
Profit before income tax		46,470,965	30,992,641
Add (less): Income tax		6,961,458	(1,806,205)
Profit for the period		53,432,423	29,186,436

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited
Statements of comprehensive income (continued)
For the three-month periods ended 30 June 2012 and 2011

	(Unit: Baht)	
	2012	2011
Other comprehensive income		
Losses on changes in values of available-for-sale investments	(24,784,869)	(7,671,430)
Other comprehensive income for the period	<u>(24,784,869)</u>	<u>(7,671,430)</u>
Total comprehensive income for the period	<u><u>28,647,554</u></u>	<u><u>21,515,006</u></u>
Earnings per share		
Basic earnings per share		
Profit for the period	<u><u>3.84</u></u>	<u><u>2.10</u></u>

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited
Statements of comprehensive income (continued)
For the six-month periods ended 30 June 2012 and 2011

		(Unit: Baht)	
	Note	2012	2011
Income			
Net earned premium	13	552,475,397	545,470,045
Fee and commission income	13	10,261,781	12,710,289
Total income		562,737,178	558,180,334
Expenses			
Underwriting			
Claims expenses			
Claims and loss adjustment expenses	13	355,966,535	343,376,239
Commission and brokerage expenses	13	113,890,875	103,685,566
Other underwriting expenses	13	13,593,888	15,292,512
Contribution to Road Accident Victims Protection			
Company Limited	13	7,955,728	9,654,160
Operating expenses	13, 14	107,351,371	114,445,500
Total underwriting expenses		598,758,397	586,453,977
Loss from underwriting		(36,021,219)	(28,273,643)
Net investment income		48,456,607	33,777,861
Gains on investments		11,090,638	691,171
Fair value loss		(258,781)	-
Other income			
Gain on sale of assets		1,661,895	119,711,461
Others		1,122,238	3,648,910
Profit from operations		26,051,378	129,555,760
Contribution to the Office of Insurance Commission		(2,012,575)	(1,854,761)
Contribution to General Insurance Fund		(1,677,146)	(1,236,507)
Contribution to Victims Compensation Fund		(663,121)	(788,095)
Profit before income tax		21,698,536	125,676,397
Less: income tax		(14,035,297)	(57,111,758)
Profit for the period		7,663,239	68,564,639

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited
Statements of comprehensive income (continued)
For the six-month periods ended 30 June 2012 and 2011

	(Unit: Baht)	
	2012	2011
Other comprehensive income		
Gains (losses) on changes in values of available-for-sale investments	879,973	(10,447,097)
Other comprehensive income for the period	<u>879,973</u>	<u>(10,447,097)</u>
Total comprehensive income for the period	<u>8,543,212</u>	<u>58,117,542</u>
Earnings per share		
Basic earnings per share		
Profit for the period	<u>0.55</u>	<u>4.93</u>

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited

Statements of changes in equity

For the six-month periods ended 30 June 2012 and 2011

(Unit: Baht)

	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other components of equity Other comprehensive income Surplus on changes in values of available-for-sale investments	Total
			Appropriated legal reserve	Others	Unappropriated		
Balance as at 1 January 2011	139,000,000	594,436,835	24,848,787	6,163,850	(355,594)	33,112,787	797,206,665
Total comprehensive income for the period	-	-	-	-	68,564,639	(10,447,097)	58,117,542
Balance as at 30 June 2011	<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>68,209,045</u>	<u>22,665,690</u>	<u>855,324,207</u>
Balance as at 1 January 2012	139,000,000	594,436,835	24,848,787	6,163,850	116,914,094	18,213,119	899,576,685
Dividend paid (Note 19)	-	-	-	-	(13,885,300)	-	(13,885,300)
Total comprehensive income for the period	-	-	-	-	7,663,239	879,973	8,543,212
Balance as at 30 June 2012	<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>110,692,033</u>	<u>19,093,092</u>	<u>894,234,597</u>

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited

Statements of cash flows

For the six-month periods ended 30 June 2012 and 2011

	(Unit: Baht)	
	2012	2011
Cash flows from operating activities		
Direct premium written	644,924,766	634,400,084
Cash received (paid) for reinsurance	(23,338,445)	65,201,280
Losses incurred of direct insurance	(331,884,716)	(370,030,960)
Losses adjustment expenses of direct insurance	(37,294,039)	(39,413,715)
Commissions and brokerages of direct insurance	(107,793,003)	(100,145,625)
Other underwriting expenses	(21,549,616)	(24,946,672)
Interest income	22,305,635	18,455,992
Dividend income	26,948,745	15,410,641
Other investment expenses	(696,431)	(696,494)
Other income	2,784,133	123,360,371
Operating expenses	(106,549,154)	(124,246,616)
Other expenses	22,023,408	(17,645,948)
Income tax	(5,710,539)	(8,538,755)
Net cash from operating activities	84,170,744	171,163,583
Cash flows from investing activities		
Cash flows from		
Investments in securities	689,264,184	352,732,698
Loans	1,111,908	2,292,246
Property and equipment	601,092	22,191
Net cash from investing activities	690,977,184	355,047,135
Cash flows used in		
Investments in securities	(738,186,476)	(514,854,563)
Loans	(1,245,600)	(981,101)
Property and equipment	(2,602,859)	(9,959,856)
Net cash used in investing activities	(742,034,935)	(525,795,520)
Net cash used in investing activities	(51,057,751)	(170,748,385)

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

(Unaudited but reviewed)

Nam Seng Insurance Public Company Limited

Statements of cash flows (continued)

For the six-month periods ended 30 June 2012 and 2011

	(Unit: Baht)	
	2012	2011
Cash flows from financing activities		
Dividend paid (Note 19)	(13,885,300)	-
Net cash used in financing activities	<u>(13,885,300)</u>	<u>-</u>
Net increase in cash and cash equivalents	19,227,693	415,198
Cash and cash equivalents at beginning of period	46,644,784	34,737,649
Cash and cash equivalents at end of period (Note 2)	<u><u>65,872,477</u></u>	<u><u>35,152,847</u></u>
Supplemental cash flows information		
Non-cash item		
Gains (losses) on changes in values of available-for-sale investments	879,973	(10,447,097)

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

Nam Seng Insurance Public Company Limited

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2012 and 2011

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 and has 27 branches all over the country. The registered office of the Company is at 767 Krungthep-Nonthaburi Road, Bangsue, Bangkok.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2009) “Interim Financial Reporting” and the Declaration of the Office of Insurance Commission dated 27 May 2010, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 The impact from the severe flooding

In the fourth quarter of 2011, there was severe flooding in Thailand, with many economic areas and industrial zones inundated. The floods materially affected the financial statements of the Company, with the financial impact of the floods reflected in the financial statements as follows:

The financial statements as at 30 June 2012 and for the six-month period then ended.

(Unit: Million Baht)

	Gross claims	Claims refundable from reinsurers	Net claims
Loss reserves and outstanding claims	488	(445)	43
Claims paid	74	(44)	30
Total	562	(489)	73
Claim reserve refundable from reinsurance under Excess of Loss contracts			(35)
Net claims expense - statement of comprehensive income			38
Net claims expense - statement of comprehensive income - 2011			(30)
Net claims expense - statement of comprehensive income - the first quarter of 2012			(5)
Net claims expense - statement of comprehensive income - the second quarter of 2012			3

The Company set up loss reserve based on a best estimate, taking into account the current situation and the latest surveyor reports, as well as various appropriate assumptions and, for claims refundable from reinsurers, with reference to the related reinsurance contracts. However, there are inherent uncertainties in the assumptions used by the management in estimating the loss reserves, which could affect the amount of claims refundable from reinsurers. Actual results could significantly differ from the estimates.

1.4 New accounting standards issued during the period not yet effective

During the period, the Federation of Accounting Professions issued Thai Financial Reporting Standard No. 8 "Operating Segments" that is effective for fiscal years beginning on or after 1 January 2013.

The Company's management believes that the above financial reporting standard will not have any significant impact on the financial statements when it is initially applied.

1.5 Significant accounting policies

The interim financial statements have been prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2011.

2. Cash and cash equivalents

	(Unit: Baht)	
	30 June 2012	31 December 2011
Cash on hand	162,482	178,637
Deposits at banks with no fixed maturity date	65,709,995	46,466,146
Deposits at banks with fixed maturity date	389,000,000	372,000,000
Total cash and deposits at financial institutions	454,872,477	418,644,783
Less: Deposits at banks which amount maturing in over 3 months	(389,000,000)	(372,000,000)
Cash and cash equivalents	<u>65,872,477</u>	<u>46,644,783</u>

3. Premium receivables

The balances as at 30 June 2012 and 31 December 2011 of premium receivables are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)		
	30 June 2012		
	Due from agents and brokers	Due from reinsurers	Total
Not yet due	138,606,001	-	138,606,001
Not over 30 days	19,450,747	24,621	19,475,368
Over 30 days to 60 days	15,573,611	35,625	15,609,236
Over 60 days to 90 days	9,344,339	36,717	9,381,056
Over 90 days to 1 year	5,753,190	45,365	5,798,555
Over 1 year	13,833,298	-	13,833,298
Total premium receivables	202,561,186	142,328	202,703,514
Less: Allowance for doubtful accounts	(19,586,488)	-	(19,586,488)
Premium receivables, net	<u>182,974,698</u>	<u>142,328</u>	<u>183,117,026</u>

(Unaudited but reviewed)

(Unit: Baht)

	31 December 2011		
	Due from agents and brokers	Due from reinsurers	Total
Not yet due	116,191,813	-	116,191,813
Not over 30 days	19,658,978	-	19,658,978
Over 30 days to 60 days	9,881,369	-	9,881,369
Over 60 days to 90 days	5,277,500	173,903	5,451,403
Over 90 days to 1 year	4,244,221	2,357	4,246,578
Over 1 year	16,035,586	-	16,035,586
Total premium receivables	171,289,467	176,260	171,465,727
Less: Allowance for doubtful accounts	(20,279,807)	-	(20,279,807)
Premium receivables, net	151,009,660	176,260	151,185,920

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.

4. Reinsurance assets

(Unit: Baht)

	30 June 2012	31 December 2011
Amounts deposit on reinsurance	2,929	2,929
Amounts due from reinsurers	70,930,512	61,712,286
Insurance reserve refundable from reinsurers	556,578,467	666,399,924
Reinsurance assets	627,511,908	728,115,139

Insurance reserve refundable from reinsurers as at 30 June 2012 includes insurance reserve refundable from reinsurers from flooding loss amounting to Baht 480 million as described in Note 1.3 to the financial statements (31 December 2011: Baht 640 million).

The balances as at 30 June 2012 and 31 December 2011 of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

	30 June 2012	31 December 2011
Not over 12 months	70,930,125	61,711,796
Over 1 year to 2 years	-	490
Over 2 years	387	-
Total amounts due from reinsurers	70,930,512	61,712,286

5. Investments in securities

(Unit: Baht)

	30 June 2012		31 December 2011	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
Trading investments				
Equity securities	43,122,270	43,881,052	10,385,350	11,428,962
Unit trusts	9,617,461	9,695,938	38,515,302	38,567,730
Total	52,739,731	53,576,990	48,900,652	49,996,692
Add: Unrealised gains	837,259	-	1,096,040	-
Total trading investments	53,576,990	53,576,990	49,996,692	49,996,692
Available-for-sale investments				
Equity securities	28,852,360	42,294,030	33,052,256	45,934,138
Unit trusts	339,422,709	345,074,131	311,531,540	316,862,778
Total	368,275,069	387,368,161	344,583,796	362,796,916
Add: Unrealised gains	19,093,092	-	18,213,120	-
Total available-for-sale investments	387,368,161	387,368,161	362,796,916	362,796,916
Held-to-maturity investments				
Government and state enterprise securities	602,732,731		594,381,710	
Private enterprise debt securities	236,266,275		228,697,069	
Deposits at commercial banks	389,000,000		372,000,000	
Total held-to-maturity investments	1,227,999,006		1,195,078,779	
Other investments				
Equity securities	2,223,020		2,223,020	
Total other investments	2,233,020		2,223,020	

Investments in debt securities as at 30 June 2012 and 31 December 2011 will be matured redemption as follows:

(Unit: Baht)

	30 June 2012				31 December 2011			
	Period to maturity			Total	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years		Within 1 year	1 - 5 years	Over 5 years	
Held to maturity investments								
Government and state enterprise securities	325,315,288	267,417,443	10,000,000	602,732,731	206,531,213	357,934,176	29,916,321	594,381,710
Private enterprise debt securities	83,266,275	118,000,000	35,000,000	236,266,275	90,501,963	103,195,106	35,000,000	228,697,069
Deposits at commercial banks	349,000,000	40,000,000	-	389,000,000	372,000,000	-	-	372,000,000
Total investments in debt securities	757,581,563	425,417,443	45,000,000	1,227,999,006	669,033,176	461,129,282	64,916,321	1,195,078,779

As at 30 June 2012 and 31 December 2011, 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 16, 17 and 18.

6. Loans and accrued interest

As at 30 June 2012 and 31 December 2011, loans and accrued interest aged by principal and accrued interest are as follows:

(Unit: Baht)

Outstanding period	30 June 2012						
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current	5,824,788	8,404	971,749	199	6,796,537	8,603	6,805,140
Overdue							
More than 12 months	-	-	518,373	-	518,373	-	518,373
Total	5,824,788	8,404	1,490,122	199	7,314,910	8,603	7,323,513
Less: Allowance for doubtful accounts	-	-	(518,373)	-	(518,373)	-	(518,373)
Loans and accrued interest, net	<u>5,824,788</u>	<u>8,404</u>	<u>971,749</u>	<u>199</u>	<u>6,796,537</u>	<u>8,603</u>	<u>6,805,140</u>

(Unit: Baht)

Outstanding period	31 December 2011						
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current	5,819,819	8,986	843,026	-	6,662,845	8,986	6,671,831
Overdue							
More than 12 months	-	-	518,373	-	518,373	-	518,373
Total	5,819,819	8,986	1,361,399	-	7,181,218	8,986	7,190,204
Less: Allowance for doubtful accounts	-	-	(518,373)	-	(518,373)	-	(518,373)
Loans and accrued interest, net	<u>5,819,819</u>	<u>8,986</u>	<u>843,026</u>	<u>-</u>	<u>6,662,845</u>	<u>8,986</u>	<u>6,671,831</u>

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.

7. Property and equipment

The movement of property and equipment for the six-month period ended 30 June 2012 are as follows:

(Unit: Baht)

	Land	Building	Furniture and office equipment	Vehicles	Construction in progress	Total
Net book value as at 1 January 2012	103,472,866	31,007,363	14,190,562	4,565,555	14,320,391	167,556,737
Acquisitions during the period - at cost	-	-	2,482,053	-	120,806	2,602,859
Disposals during the period - net book value	-	-	(16,833)	(1)	(40,000)	(56,834)
Depreciation for the period	-	(2,395,827)	(3,115,034)	(687,733)	-	(6,198,594)
Net book value as at 30 June 2012	<u>103,472,866</u>	<u>28,611,536</u>	<u>13,540,748</u>	<u>3,877,821</u>	<u>14,401,197</u>	<u>163,904,168</u>

8. Other assets

(Unit: Baht)

	30 June 2012	31 December 2011
Advances	6,749,298	6,559,600
Prepaid expenses	1,707,362	8,333,048
Undue input tax	9,235,637	9,091,551
Account receivable - Revenue Department	-	3,461,199
Others	7,409,509	5,506,864
Total other assets	<u>25,101,806</u>	<u>32,952,262</u>

9. Due to reinsurers

(Unit: Baht)

	30 June 2012	31 December 2011
Outward premium payable	65,620,098	47,576,794
Amounts withheld on reinsurance	19,094,707	20,351,981
Total due to reinsurers	<u>84,714,805</u>	<u>67,928,775</u>

10. Loss reserves and outstanding claims

	(Unit: Baht)	
	30 June 2012	31 December 2011
Beginning Balance	1,130,886,876	526,347,827
Claims and loss adjustment expenses for the period	240,309,898	1,208,189,178
Claims and loss adjustment expenses paid during the period	(366,530,988)	(603,650,129)
Ending balance	<u>1,004,665,786</u>	<u>1,130,886,876</u>

As at 30 June 2012 and 31 December 2011 the Company, which is reinsurer under the reinsurance contracts, has loss reserve and outstanding claims under such contracts of Baht 2.0 million and Baht 22.4 million, respectively.

Loss reserves and outstanding claims as at 30 June 2012 include loss reserves and outstanding claims from flooding claim amounting to Baht 488 million as described in Note 1.3 to the financial statements (31 December 2011: Baht 666 million).

11. Premium reserve**11.1 Unearned premium reserves**

	(Unit: Baht)	
	30 June 2012	31 December 2011
Beginning balance	559,554,156	553,960,860
Premium written for the period	674,324,963	351,188,475
Premium earned for the current period	(591,991,563)	(345,595,179)
Ending balance	<u>641,887,556</u>	<u>559,554,156</u>

As at 30 June 2012, the retained earnings of the Company excluded Baht 1.3 million (31 December 2011: Baht 2.2 million) of additional unearned premium reserves which the Company should set aside for the premium ceded to a foreign reinsurer, in compliance with the regulations of the Office of Insurance Commission. With reference to the opinion expressed by the Federation of Accounting Professions (FAP) in a letter dated 7 August 2006, the FAP opined that since non-life insurance companies have transferred their risks from insurance to the reinsurers and no longer have commitments in respect of debt settlement, therefore no unearned premium reserve is recorded as liability in the financial statements.

11.2 Unexpired risk reserves

	(Unit: Baht)
	<u>30 June 2012</u>
Beginning balance	460,476,446
Estimated claims for the period	462,472,104
Risk expired during the period	<u>(391,148,841)</u>
Ending balance	<u>531,799,709</u>

12. Other liabilities

	(Unit: Baht)	
	<u>30 June 2012</u>	<u>31 December 2011</u>
Account payable - Revenue Department	4,179,213	4,312,356
Withholding tax payable	1,130,434	1,190,203
Undue output tax	12,828,326	12,528,301
Accrued expenses	5,047,968	6,291,672
Accrued contribution to Road Accident Victims		
Protection Company Limited	4,361,354	2,961,279
Others	18,623,771	13,726,847
Total other liabilities	<u>46,171,066</u>	<u>41,010,658</u>

13. Underwriting information reported by insurance categories

Underwriting information classified by insurance categories for the three-month period ended 30 June 2012 is as follows:

	(Unit: Baht)					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	6,777,953	4,015,098	280,101,000	17,133,254	8,221,102	316,248,407
Less: Premium ceded	(4,821,778)	(3,041,002)	(3,248,863)	(4,580,831)	(3,759,009)	(19,451,483)
Net premium written	1,956,175	974,096	276,852,137	12,552,423	4,462,093	296,796,924
Add (less): Unearned premium reserve	1,586,660	359,088	(18,757,569)	(1,278,025)	703,819	(17,386,027)
Earned premium	3,542,835	1,333,184	258,094,568	11,274,398	5,165,912	279,410,897
Fee and commission income	1,570,330	1,054,687	-	1,413,166	971,554	5,009,737
Total underwriting income	5,113,165	2,387,871	258,094,568	12,687,564	6,137,466	284,420,634
Underwriting expenses						
Claims and loss adjustment expenses	3,025,909	1,791,755	175,501,838	(11,231,124)	(18,514,238)	150,574,140
Commission and brokerage expenses	1,498,718	544,417	47,274,002	3,115,246	896,280	53,328,663
Other underwriting income	281,008	192,549	4,992,480	657,488	530,138	6,653,663
Contribution to Road Accident Victims Protection Co., Ltd.	-	-	4,361,354	-	-	4,361,354
Total underwriting expenses before operating expenses	4,805,635	2,528,721	232,129,674	(7,458,390)	(17,087,820)	214,917,820
Operating expenses						60,585,534
Total underwriting expenses						275,503,354

Underwriting information classified by insurance categories for the three-month period ended 30 June 2011 is as follows:

	(Unit: Baht)					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	7,085,763	4,159,448	229,622,125	13,017,390	18,770,885	272,655,611
Less: Premium ceded	(4,542,937)	(2,920,356)	-	(3,336,364)	(6,330,112)	(17,129,769)
Net premium written	2,542,826	1,239,092	229,622,125	9,681,026	12,440,773	255,525,842
Add (less): Unearned premium reserve	1,502,821	(14,955)	24,157,273	549,999	(7,435,502)	18,759,636
Earned premium	4,045,647	1,224,137	253,779,398	10,231,025	5,005,271	274,285,478
Fee and commission income	2,188,599	1,107,467	-	1,048,206	1,777,324	6,121,596
Total underwriting income	6,234,246	2,331,604	253,779,398	11,279,231	6,782,595	280,407,074
Underwriting expenses						
Claims and loss adjustment expenses	693,174	1,393,399	166,453,088	4,811,840	(17,187,039)	156,164,462
Commission and brokerage expenses	2,390,676	565,452	38,909,911	1,530,510	2,381,255	45,777,804
Other underwriting income	371,901	172,955	7,033,285	638,058	334,283	8,550,482
Contribution to Road Accident Victims Protection Co., Ltd.	-	-	3,687,440	-	-	3,687,440
Total underwriting expenses before operating expenses	3,455,751	2,131,806	216,083,724	6,980,408	(14,471,501)	214,180,188
Operating expenses						55,191,433
Total underwriting expenses						269,371,621

(Unaudited but reviewed)

Underwriting information classified by insurance categories for the six-month period ended 30 June 2012 is as follows:

						(Unit: Baht)
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	14,464,590	10,040,873	607,115,104	30,700,236	12,004,160	674,324,963
Less: Premium ceded	(10,352,680)	(7,741,528)	(6,497,726)	(8,206,441)	(4,707,422)	(37,505,797)
Net premium written	4,111,910	2,299,345	600,617,378	22,493,795	7,296,738	636,819,166
Add (less): Unearned premium reserve	3,260,797	484,638	(92,683,293)	(96,974)	4,691,063	(84,343,769)
Earned premium	7,372,707	2,783,983	507,934,085	22,396,821	11,987,801	552,475,397
Fee and commission income	3,861,065	2,679,833	-	2,524,523	1,196,360	10,261,781
Total underwriting income	11,233,772	5,463,816	507,934,085	24,921,344	13,184,161	562,737,178
Underwriting expenses						
Claims and loss adjustment expenses	3,526,075	3,126,813	347,940,487	8,209,897	(6,836,737)	355,966,535
Commission and brokerage expenses	3,434,782	1,351,859	102,192,741	5,590,556	1,320,937	113,890,875
Other underwriting income	556,277	369,373	10,389,681	1,260,917	1,017,640	13,593,888
Contribution to Road Accident Victims Protection Co., Ltd.	-	-	7,955,728	-	-	7,955,728
Total underwriting expenses before operating expenses	7,517,134	4,848,045	468,478,637	15,061,370	(4,498,160)	491,407,026
Operating expenses						107,351,371
Total underwriting expenses						598,758,397

Underwriting information classified by insurance categories for the six-month period ended 30 June 2011 is as follows:

						(Unit: Baht)
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	17,409,126	8,708,447	540,016,573	27,485,204	30,224,736	623,844,086
Less: Premium ceded	(11,603,986)	(6,011,825)	(1,817,200)	(7,115,545)	(9,474,175)	(36,022,731)
Net premium written	5,805,140	2,696,622	538,199,373	20,369,659	20,750,561	587,821,355
Add (less): Unearned premium reserve	2,277,763	(184,330)	(31,686,956)	(231,095)	(12,526,692)	(42,351,310)
Earned premium	8,082,903	2,512,292	506,512,417	20,138,564	8,223,869	545,470,045
Fee and commission income	5,511,182	2,255,177	-	2,223,190	2,720,740	12,710,289
Total underwriting income	13,594,085	4,767,469	506,512,417	22,361,754	10,944,609	558,180,334
Underwriting expenses						
Claims and loss adjustment expenses	1,542,629	2,165,002	346,312,377	8,838,730	(15,482,499)	343,376,239
Commission and brokerage expenses	5,262,417	1,185,733	89,664,195	4,005,679	3,567,542	103,685,566
Other underwriting income	1,002,631	465,083	11,204,804	1,715,003	904,991	15,292,512
Contribution to Road Accident Victims Protection Co., Ltd.	-	-	9,654,160	-	-	9,654,160
Total underwriting expenses before operating expenses	7,807,677	3,815,818	456,835,536	14,559,412	(11,009,966)	472,008,477
Operating expenses						114,445,500
Total underwriting expenses						586,453,977

14. Operating expenses

(Unit: Baht)

	For the three-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2012	2011	2012	2011
Personal expenses which are not expenses underwriting and claims	19,150,688	17,759,225	38,119,700	31,520,625
Property and equipment expenses which are not expenses for underwriting	15,427,261	15,446,636	32,800,950	30,018,900
Taxes and duties	136,620	103,289	414,686	403,706
Bad debts and doubtful accounts (Reversal)	2,314,511	3,123,753	(660,873)	18,686,718
Other operating expenses	23,556,454	18,758,530	36,676,908	33,815,551
Total operating expenses	60,585,534	55,191,433	107,351,371	114,445,500

15. Related party transactions

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 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

(Unaudited but reviewed)

During the periods, 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)

	For the three-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2012	2011	2012	2011
Premium written				
Dung Seng Insurance Broker Co., Ltd.*	223,649,672	208,384,979	499,952,571	494,345,165
Asia Hotel Plc.	34,430	380,136	38,223	381,236
Asia Pattaya Hotel Co., Ltd.	4,122	251,021	4,122	251,021
Zeer Property Plc.	37,440	735,085	50,211	904,745
Asia Airport Hotel Co., Ltd.	1,216	269,614	9,524	284,672
Commission paid				
Dung Seng Insurance Broker Co., Ltd.	35,360,333	38,009,549	86,935,237	88,248,013
Rental of building space				
N.S.B. Co., Ltd.	324,990	282,281	635,850	564,881
Service fee of building space				
N.S.B. Co., Ltd.	4,428,030	4,487,927	8,866,355	9,025,030

* 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

As at 30 June 2012 and 31 December 2011, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Baht)

	30 June 2012	31 December 2011
Premium receivables (net of notes receivable from agent)		
Dung Seng Insurance Broker Co., Ltd.	154,658,229	140,522,464
Prepaid rental and service fee of building space		
N.S.B. Co., Ltd.	-	7,996,828
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	26,000,632	23,606,655

Directors and management's remuneration

In the six-month periods ended 30 June 2012 and 2011, the Company had salaries, bonus, meeting allowances, gratuities and post-employment benefits of its directors and management recognised as expenses totaling Baht 8.1 million and Baht 9.7 million, respectively.

16. Securities placed with the Registrar

As at 30 June 2012 and 31 December 2011, the Company has pledged its securities with the Registrar in accordance with the Non-life Insurance Act as follows:

(Unit: Baht)

	30 June 2012		31 December 2011	
	Cost	Fair value	Cost	Fair value
Government bonds	14,000,000	14,102,229	14,000,000	14,193,022

17. Assets reserved with the Registrar

As at 30 June 2012 and 31 December 2011, 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)

	30 June 2012		31 December 2011	
	Cost	Fair value	Cost	Fair value
Government bonds	147,000,000	148,689,059	117,000,000	119,770,163

18. Collateralised assets

As at 30 June 2012 and 31 December 2011, the Company has collateralised assets as follows:

(Unit: Baht)

		30 June 2012	31 December 2011
Government bonds	- As collateral for bail bonds	11,830,000	14,840,000
	- As collateral for electrical usage	300,000	230,000
	- As collateral for bank overdrafts	10,000,000	10,000,000
Total		22,130,000	25,070,000

19. Dividend paid

Dividend declared during the periods consists of the following:

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend</u>
		(Million Baht)	per share (Baht)
Final dividends for 2011	Annual General Meeting of the shareholders on 26 April 2012	13.90	1.00

20. Commitments and contingent liabilities**20.1 Capital commitments**

As at 30 June 2012, the Company had capital commitments of approximately Baht 2.4 million relating to the construction of office building.

20.2 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 30 June 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable:	
Within 1 year	22.2
Over 1 to 5 years	29.0

20.3 Litigation

As at 30 June 2012, the Company, as an insurer, has been sued for damaged amounting to approximately Baht 383.3 million. The total sum insured covered by insurance policies is Baht 54.0 million. The outcomes of these cases have not yet been finalised. However, the Company has set aside reserve for its losses totaling Baht 52.7 million in the financial statements.

21. Reclassification

To comply with the Declaration of the Insurance Commission relating to the financial statement presentation as described in Note 1.2, certain amounts in the financial statements for the year ended 31 December 2011 have been reclassified to conform to the current period's classification, without any effect to the previously reported profit or equity.

22. Approval of the interim financial statements

These interim financial statements were authorised for issue by the Company's authorised director on 9 August 2012.