

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2012

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 2012, 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 judgment, 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 2012, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

I draw attention to Note 1.2 to the financial statements regarding the effects of the severe flooding. The Company currently set aside loss reserves based on best estimates, with reference to supporting documentation and surveyors' reports. However, the Company is in the process of negotiating the claims with its counterparties and performing further examination of the facts. There are uncertainties in these processes, which could affect the amount of loss reserves and loss reserves refundable from reinsurers. Actual results could significantly differ from the estimates. My opinion is not qualified in respect of this matter.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 28 February 2013

Nam Seng Insurance Public Company Limited

Statements of financial position

As at 31 December 2012

	Note	31 December 2012	31 December 2011 (Reclassified)	1 January 2011 (Reclassified)
Assets				
Cash and cash equivalents	6	66,386,951	46,644,783	34,737,649
Accrued investment income		14,574,521	11,828,259	9,229,901
Premium receivables	7	168,256,923	151,185,920	148,168,661
Reinsurance assets	8	622,120,357	728,115,139	174,228,905
Investment assets				
Investments in securities				
Trading investments	9.1	49,321,565	49,996,692	-
Available-for-sale investments	9.2	289,383,607	362,796,916	461,476,862
Held-to-maturity investments	9.3	1,401,640,051	1,195,078,779	1,024,302,540
Other investments	9.4	2,223,020	2,223,020	2,223,020
Loans	10	6,782,891	6,662,845	13,885,057
Properties foreclosed	11	20,839,255	24,887,004	38,956,936
Property, buildings and equipment	12	162,665,517	167,415,951	160,572,020
Intangible assets	13	2,533,154	140,786	216,334
Other assets	14	54,636,358	44,705,086	34,381,563
Total assets		2,861,364,170	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 31 December 2012

	Note	31 December 2012	31 December 2011 (Reclassified)	1 January 2011 (Reclassified)
Liabilities and equity				
Liabilities				
Income tax payable		-	-	5,079,017
Due to reinsurers	15	153,805,569	67,928,775	80,786,347
Insurance contract liabilities				
Loss reserves and outstanding claims	16	882,432,492	1,130,886,876	526,347,827
Premium reserve	17.1	703,776,210	559,554,156	553,960,860
Employee benefit obligations	18	42,569,943	39,216,280	38,989,984
Accrued commissions		40,202,380	33,075,070	30,335,975
Premium received in advance		25,074,466	13,726,670	18,133,794
Other liabilities	19	50,185,241	47,716,668	51,538,979
Total liabilities		1,898,046,301	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	20	24,848,787	24,848,787	24,848,787
General reserve		6,163,850	6,163,850	6,163,850
Unappropriated		161,762,859	116,914,094	(355,594)
Other components of equity		37,105,538	18,213,119	33,112,787
Total equity		963,317,869	899,576,685	797,206,665
Total liabilities and equity		2,861,364,170	2,791,681,180	2,102,379,448

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

Directors

Nam Seng Insurance Public Company Limited
Statements of comprehensive income
For the year ended 31 December 2012

		(Unit: Baht)	
	Note	2012	2011
Income			
Net earned premium	21	1,161,416,698	1,096,028,033
Fee and commission income	21	25,661,944	22,178,837
Total income		1,187,078,642	1,118,206,870
Expenses			
Underwriting			
Claims expenses			
Claims and losses adjustment expenses	21	726,416,650	691,833,035
Commission and brokerage expenses	21	235,829,849	198,103,083
Other underwriting expenses	21	31,491,102	28,309,848
Contribution to Road Accident Victims Protection			
Company Limited	21	15,951,237	15,675,614
Operating expenses	21, 22	234,213,966	205,666,903
Total underwriting expenses		1,243,902,804	1,139,588,483
Losses from underwriting		(56,824,162)	(21,381,613)
Net investment income		85,942,356	58,908,147
Gain on investments		24,500,972	2,126,724
Fair value gains		15,427,477	2,096,040
Other income			
Gain on sale of assets		2,081,518	120,243,343
Others		9,404,275	18,622,622
Profit from operations		80,532,436	180,615,263
Contribution to the Office of Insurance Commission		(3,952,464)	(3,388,746)
Contribution to the General Insurance Fund	29	(3,452,465)	(2,579,618)
Contribution to the Victims Compensation Fund		(1,302,142)	(1,279,642)
Profit before income tax expenses		71,825,365	173,367,257
Income tax expenses		(13,091,300)	(56,097,569)
Profit for the year		58,734,065	117,269,688

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 2012

	(Unit: Baht)	
	2012	2011
Other comprehensive income		
Gains (losses) on changes in values of available-for-sale investments	18,892,419	(14,899,668)
Other comprehensive income for the year	18,892,419	(14,899,668)
Total comprehensive income for the year	<u>77,626,484</u>	<u>102,370,020</u>
Earnings per share	24	
Basic earnings per share		
Profit for the year	<u>4.23</u>	<u>8.44</u>

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

Nam Seng Insurance Public Company Limited

Statements of changes in equity

For the year ended 31 December 2012

(Unit: Baht)

	Issued and paid-up share capital	Premium on share capital	Retained earnings			Unappropriated	Total	Other components of equity Other comprehensive income Surplus (deficit) on changes in values of available-for-sale investments	Total
			Appropriated		Unappropriated				
			legal reserve	General					
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 year	-	-	-	-	117,269,688	(14,899,668)	102,370,020		
Balance as at 31 December 2011	139,000,000	594,436,835	24,848,787	6,163,850	116,914,094	18,213,119	899,576,685		
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 30)	-	-	-	-	(13,885,300)	-	(13,885,300)		
Total comprehensive income for the year	-	-	-	-	58,734,065	18,892,419	77,626,484		
Balance as at 31 December 2012	139,000,000	594,436,835	24,848,787	6,163,850	161,762,859	37,105,538	963,317,869		

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 2012**

	(Unit: Baht)	
	2012	2011
Cash flows from operating activities		
Direct premium written	1,375,660,627	1,152,481,122
Cash received for reinsurance	15,393,965	54,062,964
Losses incurred of direct insurance	(770,808,157)	(671,886,591)
Losses adjustment expenses of direct insurance	(80,518,925)	(73,474,338)
Commissions and brokerages of direct insurance	(225,313,151)	(188,868,362)
Other underwriting expenses	(47,442,340)	(43,985,462)
Interest income	82,599,844	41,740,265
Dividend income	40,524,699	18,497,137
Other investment expenses	(42,306,894)	(4,429,428)
Other income	11,485,794	138,865,965
Operating expenses	(226,953,495)	(204,291,768)
Other expenses	(13,091,300)	201,330
Income tax	(2,370,624)	(61,176,586)
Net cash from operating activities	116,860,043	157,736,248
Cash flows from investing activities		
Cash flows from		
Investments in securities	1,652,109,843	863,824,688
Loans	2,672,645	10,185,216
Property, buildings and equipment	979,006	35,682
Net cash from investing activities	1,655,761,494	874,045,586
Cash flows used in		
Investments in securities	(1,723,383,367)	(996,387,913)
Loans	(2,792,690)	(2,667,853)
Property, buildings and equipment	(10,268,012)	(16,882,272)
Intangible assets	(2,550,000)	(3,936,662)
Net cash used in investing activities	(1,738,994,069)	(1,019,874,700)
Net cash used in investing activities	(83,232,575)	(145,829,114)

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 2012

	(Unit: Baht)	
	2012	2011
Cash flows from financing activities		
Dividend paid (Note 30)	(13,885,300)	-
Net cash used in financing activities	<u>(13,885,300)</u>	<u>-</u>
Net increase in cash and cash equivalents	19,742,168	11,907,134
Cash and cash equivalents at beginning of year	46,644,783	34,737,650
Cash and cash equivalents at end of year (Note 6)	<u>66,386,951</u>	<u>46,644,784</u>
Supplemental cash flows information		
Non-cash item		
Gains (losses) on changes in values of available-for-sale investments	18,892,419	(14,899,668)

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 2012

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 2012 are as follows:

(Unit: Million Baht)

	Gross claims	Claims refundable		Net claims
		from reinsurers		
		Agreed	Reserve	
Loss reserves and outstanding				
claims	421	(16)	(372)	33
Claims paid	125	(86)	-	39
Total	546	(102)	(372)	72
Claims reserve refundable from reinsurance under Excess of Loss contracts				(34)
Net claims expense - statement of comprehensive income				38
Less: Net claims expense - statement of comprehensive income - 2011				(31)
Net claims expense - statement of comprehensive income - 2012				<u>7</u>

The Company currently set aside loss reserves based on best estimates, with reference to supporting documentation and surveyors' reports. However, the Company is in the process of negotiating the claims with its counterparties and performing further examination of the facts. There are uncertainties in these processes, which could affect the amount of loss reserves and loss reserves refundable from reinsurers. Actual results could significantly differ from the estimates.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting 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 accounting standards that are not yet effective

The Federation of Accounting Professions issued the following new and revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the company's brought-forward retained earnings of the year 2013 by approximately Baht 97.11 Million and decreasing the brought-forward balance of other components of equity of the year 2013 by approximately Baht 7.42 million.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance, Accounting standard Interpretation and Financial Reporting Standard Interpretations are not relevant to the business of the Company.

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 policy holders, 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, related revenues are recorded as “premium received in advance”, and 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) Interest income and dividend

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

(e) Interest income on loan

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding.

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 prepaid transactions and recognised as expenses over the coverage period.

(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 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) 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 entity has a legal right to offset amounts presented in the statements of financial position, and
- (2) The entity 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

- (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. The fair value of debt security determined based on the yield rates quoted by the Thai Bond Market Association. The fair value of unit trust is determined from its net asset value.

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

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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 years
Vehicles	5 years

Depreciation is included in determining income.

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 are carried at cost less any accumulated amortisation and any accumulated impairment losses (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 5 years.

4.11 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.

4.12 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.

4.13 Premium reserve

Premium reserve consists of unearned premium reserve and unexpired risk reserve.

(a) Unearned premium reserve

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

Transportation (cargo), travelling accident with coverage periods of not over six-months	-	100% of premium as from the date policy is effective, throughout the period of insurance coverage
Others	-	Monthly average basis (the one-twenty fourth basis)

(b) Unexpired risk reserve

At the end of each reporting period, the Company computes its unexpired risk reserve and a liability adequacy test is performed in order to determine whether there is any overall excess of expected claims over unearned premium reserve. This calculation uses current estimates of future claim payments including all related direct and indirect claims expenses, the expenses of policy administration and any additional reinsurance premiums due in respect of the unexpired risk.

At the end of each reporting period, the Company compares the amounts of unexpired risk reserve with unearned premium reserve, and if unexpired risk reserve is higher than unearned premium reserve, the difference is recognised as unexpired risk reserve in the financial statements.

4.14 Long-term leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

4.15 Foreign 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 included in determining income.

4.16 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, buildings and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

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 assumptions 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.

4.17 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 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.

4.18 Income tax

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.

4.19 Provisions

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with Thai 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:

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.

Allowance for doubtful accounts

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

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.

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 Company’s 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.

Intangible assets

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 and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 of 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.

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.

Post-employment benefits under defined benefit plans

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

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 in the financial statements.

6. Cash and cash equivalents

	(Unit: Baht)	
	2012	2011
Cash on hand	180,297	178,637
Deposits at banks with no fixed maturity date	66,206,654	46,466,146
Deposits at banks with fixed maturity date	658,203,255	372,000,000
Total cash and deposits at financial institutions	724,590,206	418,644,783
Less: Deposits at banks which amount maturing in over 3 months	(658,203,255)	(372,000,000)
Cash and cash equivalents	<u>66,386,951</u>	<u>46,644,783</u>

7. Premium receivables

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

				(Unit: Baht)
				2012
	Due from insured	Due from agents and brokers	Due from reinsurers	Total
Not yet due	3,788,508	32,122,092	-	35,910,600
Not over 30 days	572,919	111,838,629	169,131	112,580,679
Over 30 days to 60 days	342,135	25,406,660	4,853	25,753,648
Over 60 days to 90 days	212,275	9,000,596	7,029	9,219,900
Over 90 days to 1 year	-	3,845,277	28,790	3,874,067
Over 1 year	3,013	12,710,284	-	12,713,297
Total premium receivables	4,918,850	194,923,538	209,803	200,052,191
Less: Allowance for doubtful accounts	(215,288)	(31,579,980)	-	(31,795,268)
Premium receivables, net	4,703,562	163,343,558	209,803	168,256,923
				(Unit: Baht)
				2011
	Due from insured	Due from agents and brokers	Due from reinsurers	Total
Not yet due	-	20,875,558	-	20,875,558
Not over 30 days	53,510	95,262,746	-	95,316,256
Over 30 days to 60 days	837,938	23,916,429	-	24,754,367
Over 60 days to 90 days	-	8,969,134	173,903	9,143,037
Over 90 days to 1 year	-	5,338,566	2,357	5,340,923
Over 1 year	-	16,035,586	-	16,035,586
Total premium receivables	891,448	170,398,019	176,260	171,465,727
Less: Allowance for doubtful accounts	-	(20,279,807)	-	(20,279,807)
Premium receivables, net	891,448	150,118,212	176,260	151,185,920

For premium receivables due form 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)		
	31 December 2012	31 December 2011	1 January 2011
Amounts deposit on reinsurance	2,929	2,929	2,929
Amounts due from reinsurers	167,524,496	61,712,286	59,532,413
Insurance reserve refundable from reinsurers	454,592,932	666,399,924	114,693,563
Reinsurance assets	622,120,357	728,115,139	174,228,905

Insurance reserve refundable from reinsurers as at 31 December 2012 includes insurance reserve refundable from reinsurers from flooding loss amounting to Baht 406 million as described in Note 1.2 to the financial statements

The balances as at 31 December 2012, 31 December 2011 and 1 January 2011 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)		
	31 December 2012	31 December 2011	1 January 2011
Not over 12 months	165,906,295	61,711,796	59,532,028
Over 1 year to 2 years	1,617,786	490	385
Over 2 years	415	-	-
Total amounts due from reinsurers	167,524,496	61,712,286	59,532,413

9. Investments in securities

9.1 Trading investments

	(Unit: Baht)				
	2012				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	23,073,586	16,452,310	-	39,525,896	1.38
Unit trusts	9,724,463	71,206	-	9,795,669	0.34
Total trading investments	32,798,049	16,523,516	-	49,321,565	1.72
	(Unit: Baht)				
	2011				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	10,385,351	1,198,262	(154,651)	11,428,962	0.41
Unit trusts	38,515,301	52,429	-	38,567,730	1.38
Total trading investments	48,000,652	1,250,691	(154,651)	49,996,692	1.79

9.2 Available-for-sale investments

(Unit: Baht)

	2012				Percentage to total assets
	Cost	Unrealised gain	Unrealised loss	Fair value	
Private enterprise securities					
Stocks	25,450,303	15,913,233	-	41,363,536	1.45
Unit trusts	226,827,765	21,192,306	-	248,020,071	8.67
Total available-for-sale investments	<u>252,278,068</u>	<u>37,105,539</u>	<u>-</u>	<u>289,383,607</u>	<u>10.12</u>

(Unit: Baht)

	2011				Percentage to total assets
	Cost	Unrealised gain	Unrealised loss	Fair value	
Private enterprise securities					
Stocks	33,052,257	13,277,323	(395,442)	45,934,138	1.65
Unit trusts	311,531,540	10,488,412	(5,157,174)	316,862,778	11.35
Total available-for-sale investments	<u>344,583,797</u>	<u>23,765,735</u>	<u>(5,552,616)</u>	<u>362,796,916</u>	<u>13.00</u>

9.3 Held to-maturity investments

(Unit: Baht)

	2012		2011	
	Cost/ Amortised cost	Percentage to total assets	Cost/ Amortised cost	Percentage to total assets
Government and state enterprise securities				
Government securities	388,135,754	13.56	167,031,717	5.98
State enterprise securities	164,238,579	5.74	414,349,993	14.84
Total	<u>552,374,333</u>	<u>19.30</u>	<u>581,381,710</u>	<u>20.82</u>
Private enterprise securities				
Debenture	178,062,463	6.22	228,697,069	8.19
Total	<u>178,062,463</u>	<u>6.22</u>	<u>228,697,069</u>	<u>8.19</u>
Deposits at banks - maturity over 3 months				
Deposits at commercial banks	658,203,255	23.00	372,000,000	13.33
Saving lottery	13,000,000	0.46	13,000,000	0.46
Total	<u>671,203,255</u>	<u>23.46</u>	<u>385,000,000</u>	<u>13.79</u>
Total held-to-maturity investments	<u>1,401,640,051</u>	<u>48.98</u>	<u>1,195,078,779</u>	<u>42.80</u>

9.4 Other investments

(Unit: Baht)

	2012		2011	
	Cost	Percentage to total assets	Cost	Percentage to total assets
Non-marketable equity securities - local	2,223,020	0.08	2,223,020	0.08
Total other investments	2,223,020	0.08	2,223,020	0.08

9.5 Remaining period of debt securities

(Unit: Baht)

	2012			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
Held-to-maturity investments				
Government and state enterprise securities	220,965,770	321,408,563	10,000,000	552,374,333
Private enterprise debt securities	40,062,463	103,000,000	35,000,000	178,062,463
Deposits at commercial banks	586,203,255	85,000,000	-	671,203,255
Total investments in debt securities	847,231,488	509,408,563	45,000,000	1,401,640,051

(Unit: Baht)

	2011			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
Held-to-maturity investments				
Government and state enterprise securities	206,531,213	357,934,176	29,916,321	594,381,710
Private enterprise debt securities	90,501,963	103,195,106	35,000,000	228,697,069
Deposits at commercial banks	372,000,000	-	-	372,000,000
Total investments in debt securities	669,033,176	461,129,282	64,916,321	1,195,078,779

As at 31 December 2012 and 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 26, 27 and 28.

10. Loans

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

(Unit: Baht)

Outstanding period	2012						
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Not yet due	5,872,343	10,961	910,548	-	6,782,891	10,961	6,793,852
Overdue							
More than 12 months	-	-	518,373	-	518,373	-	518,373
Total	5,872,343	10,961	1,428,921	-	7,301,264	10,961	7,312,225
Less: Allowance for doubtful accounts	-	-	(518,373)	-	(518,373)	-	(518,373)
Loans and accrued interest, net	5,872,343	10,961	910,548	-	6,782,891	10,961	6,793,852

(Unit: Baht)

Outstanding period	2011						
	Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Not yet due	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	5,819,819	8,986	843,026	-	6,662,845	8,986	6,671,831

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)

	2012	2011
Properties received from debt settlement	23,238,789	27,326,999
Less: Allowance for impairment	(2,399,534)	(2,439,995)
Properties foreclosed, net	20,839,255	24,887,004

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 2011	103,472,866	98,046,711	74,176,970	9,289,821	5,518,104	290,504,472
Additions	-	-	5,237,740	2,888,000	10,902,414	19,028,154
Transfer in / (out)	-	-	1,522,783	-	(1,522,783)	-
Disposals / write-off	-	-	(1,410,569)	-	(577,345)	(1,987,914)
31 December 2011	103,472,866	98,046,711	79,526,924	12,177,821	14,320,390	307,544,712
Additions	-	-	4,721,790	1,656,000	3,890,222	10,268,012
Disposals / write-off	-	-	(724,018)	(2,635,000)	(2,786,612)	(6,145,630)
31 December 2012	103,472,866	98,046,711	83,524,696	11,198,821	15,424,000	311,667,094
Accumulated depreciation:						
1 January 2011	-	62,226,270	61,190,918	6,515,264	-	129,932,452
Depreciation charge	-	4,813,078	5,669,497	1,097,002	-	11,579,577
Disposals / write-off	-	-	(1,383,268)	-	-	(1,383,268)
31 December 2011	-	67,039,348	65,477,147	7,612,266	-	140,128,761
Depreciation charge	-	4,801,577	6,097,514	1,315,247	-	12,214,338
Disposals / write-off	-	-	(706,524)	(2,634,998)	-	(3,341,522)
31 December 2012	-	71,840,925	70,868,137	6,292,515	-	149,001,577
Net book value:						
31 December 2011	103,472,866	31,007,363	14,049,777	4,565,555	14,320,390	167,415,951
31 December 2012	103,472,866	26,205,786	12,656,559	4,906,306	15,424,000	162,665,517
Depreciation for the year						
2011						11,579,577
2012						12,214,338

As at 31 December 2012, 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 67 million (2011: Baht 60 million).

13. Intangible assets

	(Unit: Baht)
	Computer softwars
	<hr/>
Cost:	
1 January 2011	3,907,784
Additions	28,878
	<hr/>
31 December 2011	3,936,662
Additions	2,550,000
	<hr/>
31 December 2012	6,486,662
	<hr/>
Accumulated amortization:	
1 January 2011	3,691,450
Amortisation charge	104,426
	<hr/>
31 December 2011	3,795,876
Amortisation charge	157,632
	<hr/>
31 December 2012	3,953,508
	<hr/>
Net book value:	
31 December 2011	140,786
	<hr/> <hr/>
31 December 2012	2,533,154
	<hr/> <hr/>
Amortisation for the year	
2011	104,426
	<hr/> <hr/>
2012	157,632
	<hr/> <hr/>

As at 31 December 2012, certain computer software have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 3.7 million (2011: Baht 3.6 million).

14. Other assets

	(Unit: Baht)	
	2012	2011
Advances	5,554,500	6,559,600
Prepaid expenses	15,938,147	8,333,048
Undue input tax	4,582,634	9,091,551
Account receivable - Revenue Department	7,263,147	3,461,199
Claim receivable from litigants	2,520,031	2,694,284
Notes receivable	11,355,107	9,058,540
Others	7,422,792	5,506,864
Total other assets	<u>54,636,358</u>	<u>44,705,086</u>

15. Due to reinsurers

	(Unit: Baht)		
	31 December 2012	31 December 2011	1 January 2011
Outward premium payables	129,758,104	47,576,794	63,490,390
Amounts withheld on reinsurance	24,047,465	20,351,981	17,295,957
Total due to reinsurers	<u>153,805,569</u>	<u>67,928,775</u>	<u>80,786,347</u>

16. Loss reserves and outstanding claims

	(Unit: Baht)	
	2012	2011
Beginning Balance	1,130,886,876	526,347,827
Claims and losses adjustment expenses		
for the year	727,675,172	1,350,837,646
Change in claims and losses adjustment expenses		
paid of the prior year	(124,628,222)	-
Claims and losses adjustment expenses paid		
during the year	<u>(851,501,334)</u>	<u>(746,298,597)</u>
Ending balance	<u>882,432,492</u>	<u>1,130,886,876</u>

As at 31 December 2012 and 2011 the Company, which is reinsurer under the reinsurance contracts, has loss reserve and outstanding claims under such contracts of Baht 28.8 million and Baht 22.4 million, respectively.

Loss reserves and outstanding claims as at 31 December 2012 include loss reserves and outstanding claims from flooding claim amounting to Baht 421 million as described in Note 1.2 to the financial statements (2011: Baht 666 million).

17. Premium reserve

17.1 Unearned premium reserves

	(Unit: Baht)		
	31 December 2012	31 December 2011	1 January 2011
Beginning balance	559,554,156	553,960,860	578,331,610
Premium written for the year	1,389,446,373	1,170,332,492	1,117,841,746
Premium earned for the current year	(1,245,224,319)	(1,164,739,196)	(1,142,212,496)
Ending balance	<u>703,776,210</u>	<u>559,554,156</u>	<u>553,960,860</u>

17.2 Unexpired risk reserves

	(Unit: Baht)
	2012
Beginning balance	<u>449,767,652</u>
Estimated claims for the year	425,023,551
Risk expired during the year	<u>(345,542,524)</u>
Ending balance	<u>529,248,679</u>

18. Employee benefit obligations

Provisions for employee benefits are as follows:

	(Unit: Baht)	
	2012	2011
Short-term benefits	<u>16,236,936</u>	<u>15,193,683</u>
Long-term benefits	<u>26,333,007</u>	<u>24,022,597</u>
Total	<u>42,569,943</u>	<u>39,216,280</u>

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

	(Unit: Baht)	
	2012	2011
Defined benefit obligation at beginning of year	24,022,597	22,639,703
Current service cost	1,510,450	1,449,669
Interest cost	864,936	859,575
Benefit paid during the year	(1,292,500)	(926,350)
Actuarial loss	1,227,524	-
Defined benefit obligation at end of year	<u>26,333,007</u>	<u>24,022,597</u>

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

	(Unit: Thousand Baht)	
	2012	2011
Current service cost	1,510,450	1,449,669
Interest cost	864,936	859,575
Actuarial loss recognised during the year	1,227,524	-
Total expense recognized in profit or loss	<u>3,602,910</u>	<u>2,309,244</u>

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	2012	2011
Discount rate	4.0	4.0
Future salary increase rate	4.0-5.5	4.0-5.5
Staff turnover rate	7.0-10.0	7.0-10.0

Amounts of defined benefit obligation for the current and previous one periods are as follows:

	(Unit: Million Baht)	
	Defined benefit obligation	Experience adjustments arising on the plan liabilities
Year 2012	26.33	2.31
Year 2011	24.02	1.38

19. Other liabilities

	(Unit: Baht)	
	2012	2011
Account payable - Revenue Department	4,037,288	4,312,356
Withholding tax payable	1,831,945	1,190,203
Undue output tax	11,047,490	12,528,301
Accrued expenses	13,667,969	14,336,849
Deposits from brokers	10,393,162	6,706,010
Others	9,207,387	8,642,949
Total other liabilities	<u>50,185,241</u>	<u>47,716,668</u>

20. Statutory reserve

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

21. Underwriting information reported by insurance categories

Underwriting information classified by insurance categories for the year ended 31 December 2012 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	33,321,789	19,917,431	1,233,212,378	72,444,123	30,550,652	1,389,446,373
Less: Premium ceded	(22,682,085)	(15,515,215)	(15,423,437)	(20,013,323)	(14,216,029)	(87,850,089)
Net premium written	10,639,704	4,402,216	1,217,788,941	52,430,800	16,334,623	1,301,596,284
Add (less): Unearned premium reserve	2,582,936	213,802	(142,776,196)	(4,798,886)	4,598,758	(140,179,586)
Earned premium	13,222,640	4,616,018	1,075,012,745	47,631,914	20,933,381	1,161,416,698
Fee and commission income	8,217,886	5,356,056	26,276	7,586,457	4,475,269	25,661,944
Total underwriting income	21,440,526	9,972,074	1,075,039,021	55,218,371	25,408,650	1,187,078,642
Underwriting expenses						
Claims and losses adjustment expenses						
Commission and brokerage expenses	7,405,296	2,890,941	712,021,729	20,388,390	(16,289,706)	726,416,650
Other underwriting expenses	7,823,058	2,699,813	208,224,543	13,448,854	3,633,581	235,829,849
Contribution to Road Accident Victims Protection Co., Ltd.	1,320,175	938,824	24,352,042	3,451,800	1,428,261	31,491,102
Total underwriting expenses before operating expenses	-	-	15,951,237	-	-	15,951,237
Operating expenses	16,548,529	6,529,578	960,549,551	37,289,044	(11,227,864)	1,009,688,838
Total underwriting expenses						234,213,966
						1,243,902,804

Underwriting information classified by insurance categories for the year ended 31 December 2011 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	35,907,106	17,578,886	1,007,207,427	59,590,995	50,048,078	1,170,332,492
Less: Premium ceded	(20,421,531)	(12,017,655)	(4,093,888)	(15,491,186)	(19,602,504)	(71,626,764)
Net premium written	15,485,575	5,561,231	1,003,113,539	44,099,809	30,445,574	1,098,705,728
Add (less): Unearned premium reserve	678,971	(310,986)	8,660,121	(3,286,731)	(8,419,070)	(2,677,695)
Earned premium	16,164,546	5,250,245	1,011,773,660	40,813,078	22,026,504	1,096,028,033
Fee and commission income	8,784,553	4,479,500	-	4,313,045	4,601,739	22,178,837
Total underwriting income	24,949,099	9,729,745	1,011,773,660	45,126,123	26,628,243	1,118,206,870
Underwriting expenses						
Claims and losses adjustment expenses						
Commission and brokerage expenses	5,740,592	7,108,063	632,590,852	30,107,564	16,285,964	691,833,035
Other underwriting expenses	11,901,392	1,534,956	169,487,154	9,786,082	5,393,499	198,103,083
Contribution to Road Accident Victims Protection Co., Ltd.	1,862,312	864,294	20,663,410	3,208,310	1,711,522	28,309,848
Total underwriting expenses before operating expenses	-	-	15,675,614	-	-	15,675,614
Operating expenses	19,504,296	9,507,313	838,417,030	43,101,956	23,390,985	933,921,580
Total underwriting expenses						205,666,903
						1,139,588,483

22. Operating expenses

	(Unit: Baht)	
	2012	2011
Personal expenses which are not expenses for underwriting and claims	76,848,360	73,241,113
Property and equipment expenses which are not expenses for underwriting	65,397,689	60,292,791
Bad debts and doubtful accounts	11,795,100	3,958,529
Other operating expenses	80,172,817	68,174,470
Total operating expenses	234,213,966	205,666,903

23. Employee expenses

	(Unit: Baht)	
	2012	2011
Salaries and wages	142,812,324	134,956,248
Social security fund	786,245	1,205,910
Employee benefit fund	4,303,497	3,426,594
Others benefits	10,655,202	12,402,190
Total	158,557,268	151,990,942

24. 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.

25. 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

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)	
	2012	2011
Premium written		
Dung Seng Insurance Broker Co., Ltd.*	958,962,331	877,364,486
Asia Hotel Plc.	673,802	400,633
Asia Pattaya Hotel Co., Ltd.	575,542	284,786
Zeer Property Plc.	1,641,941	1,035,328
Asia Airport Hotel Co., Ltd.	539,295	325,388
Commission paid		
Dung Seng Insurance Broker Co., Ltd.	166,846,902	159,316,947
Rental of building space		
N.S.B. Co., Ltd.	1,277,180	1,091,617
Service fee of building space		
N.S.B. Co., Ltd.	18,140,875	17,929,727

* 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 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Baht)	
	2012	2011
Premium receivables (net of notes receivable from agent)		
Dung Seng Insurance Broker Co., Ltd.	137,382,593	140,522,464
Prepaid rental and service fee of building space		
N.S.B. Co., Ltd.	15,735,592	7,996,828
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	23,179,044	23,606,655

Directors and management's benefits

During the year ended 31 December 2012 and 2011, the Company accounted for benefits of its directors and key management personnel as following.

	(Unit: Baht)	
	2012	2011
Short-term benefits	15	12
Long-term benefits	0.4	0.4
Total	<u>15.4</u>	<u>12.4</u>

26. Securities placed with the Registrar

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

	(Unit: Baht)			
	2012		2011	
	Cost	Fair value	Cost	Fair value
Government bonds	<u>14,000,000</u>	<u>14,042,426</u>	<u>14,000,000</u>	<u>14,193,022</u>

27. Assets reserved with the Registrar

As at 31 December 2012 and 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)			
	2012		2011	
	Cost	Fair value	Cost	Fair value
Government bonds	<u>167,000,000</u>	<u>168,980,930</u>	<u>117,000,000</u>	<u>119,770,163</u>

28. Collateralised assets

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

		(Unit: Baht)	
		2012	2011
Government bonds	- As collateral for bail bonds	12,520,000	14,840,000
	- As collateral for electrical usage	300,000	230,000
	- As collateral for bank overdrafts	10,000,000	10,000,000
Total		<u>22,820,000</u>	<u>25,070,000</u>

29. Contribution to the General Insurance Fund

	(Unit: Baht)	
	2012	2011
Accumulated contribution at the beginning of the year	6,547,882	3,968,264
Contribution during the year	3,452,465	2,579,618
Accumulated contribution at the end of the year	<u>10,000,347</u>	<u>6,547,882</u>

30. Dividend paid

Dividend declared during the year 2012 consists of the following:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2011	Annual General Meeting of the shareholders on 26 April 2012	13.9	1.0

31. Financial information by segment

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

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

	Million Baht
Payable:	
Within 1 year	22.33
Over 1 to 5 years	25.92

32.2 Litigation

As at 31 December 2012, the Company, as an insurer, has been sued for damaged amounting to approximately Baht 418.96 million. The total sum insured covered by insurance policies is Baht 48.97 million. The outcomes of these cases have not yet been finalised. However, the Company has set aside reserve for its losses totaling Baht 47.76 million in the financial statements.

33. Financial instruments

33.1 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, amounts due from reinsurers 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 2012 and 2011 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)

	2012						
	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	56	-	-	-	10	66	0.000%-3.000%
Investments in securities							
Government and state enterprise securities	221	321	10	-	-	552	1.250%-6.800%
Private enterprise debt securities	40	103	35	-	-	178	3.000%-5.700%
Deposits at financial institutions	586	85	-	-	-	671	1.250%-4.100%
Mortgage loans - net	-	-	-	7	-	7	5.125%-15.000%
Total	903	509	45	7	10	1,474	

(Unit: Million Baht)

	2011						
	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	38	-	-	-	9	47	0.000%-2.250%
Investments in securities							
Government and state enterprise securities	216	345	20	-	-	581	2.060%-6.800%
Private enterprise debt securities	91	93	45	-	-	229	3.000%-5.250%
Deposits at financial institutions	362	23	-	-	-	385	1.250%-4.450%
Mortgage loans - net	-	-	-	7	-	7	5.125%-15.000%
Total	707	461	65	7	9	1,249	

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.

33.2 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 securities is based on their quoted market prices.

The fair value of deposits at financial institutions, bonds, debentures and bill of exchange with periods to maturity of less than 90 days is based on their carrying value. 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 2012, the aggregate carrying values and fair values of investments in held-to-maturity securities are as follows:

	(Unit: Million Baht)	
	Book value	Fair value
Government and state enterprise securities	552	560
Private enterprise debt securities	178	180

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.

34. Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure, presences 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.

Nevertheless, the OIC has announced a measure to relax the risk-based capital requirements for losses arising from the floods, for a period of 15 months from 31 December 2011 to 31 March 2013. In February 2013 the OIC has extended the period of the measure relaxing the risk-based capital requirements until 31 March 2014, with certain additional condition stipulated.

35. Reclassification

The Company has been reclassified to conform with the current period's classification.

(Unit: Baht)

	31 December 2011		1 January 2011	
	As reclassified	As previous reported	As reclassified	As brought forward
Reinsurance assets	728,115,139	667,263,905	174,228,905	84,010,484
Due to reinsurers	67,928,775	40,679,150	80,786,347	21,253,934
Premium reserve	559,554,156	525,952,547	553,960,860	523,274,852

The reclassifications had no effect to previously reported profit or equity.

36. Approval of the financial statements

These financial statements were authorised for issue by the Company's authorised director on 28 February 2013.