

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2013

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 2013, 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 2013, 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 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.

Other matters

The statement of financial position of Nam Seng Insurance Public Company Limited as at 31 December 2011 (which have been used for preparing the statements of financial position as at 1 January 2012 as described in the preceding paragraph) were audited by other auditor, who expressed an unqualified opinion on those statements, under his report dated 24 February 2012.

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited
Bangkok: 24 February 2014

Nam Seng Insurance Public Company Limited**Statements of financial position****As at 31 December 2013**

(Unit: Baht)

	Note	31 December 2013	31 December 2012	1 January 2012
			(Restated)	
Assets				
Cash and cash equivalents	7	161,737,384	66,386,951	46,644,783
Accrued investment income		14,546,395	14,574,521	11,828,259
Premium receivables	8	192,930,630	168,256,923	151,185,920
Reinsurance assets	9	317,526,926	622,120,357	728,115,139
Investment assets				
Investments in securities				
Trading investments	10.1	41,710,431	49,321,565	49,996,692
Available-for-sale investments	10.2	242,067,840	289,383,607	362,796,916
Held-to-maturity investments	10.3	1,680,726,285	1,401,640,051	1,195,078,779
Other investments	10.4	2,223,020	2,223,020	2,223,020
Loans	11	7,074,276	6,782,891	6,662,845
Properties foreclosed	12	15,148,501	20,839,255	24,887,004
Property, buildings and equipment	13	155,621,889	162,665,517	167,415,951
Intangible assets	14	1,693,134	2,533,154	140,786
Deferred tax assets	4, 25	84,138,720	89,307,599	81,738,073
Other assets	15	48,217,772	54,636,358	44,705,086
Total assets		<u>2,965,363,203</u>	<u>2,950,671,769</u>	<u>2,873,419,253</u>

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 2013

(Unit: Baht)

	Note	31 December 2013	31 December 2012 (Restated)	1 January 2012
Liabilities and equity				
Liabilities				
Income tax payable		12,039,464	-	-
Due to reinsurers	16	157,298,309	153,805,569	67,928,775
Insurance contract liabilities				
Loss reserves and outstanding claims	17	604,279,480	882,432,492	1,130,886,876
Premium reserve	18.1	832,842,359	703,776,210	559,554,156
Employee benefit obligations	19	48,697,557	42,569,943	39,216,280
Accrued commissions		41,251,535	40,202,380	33,075,070
Deferred tax liabilities	4, 25	226,642	10,725,811	3,861,832
Premium received in advance		22,257,344	25,074,466	13,726,670
Other liabilities	20	73,610,230	50,185,241	47,716,668
Total liabilities		1,792,502,920	1,908,772,112	1,895,966,327
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	21	24,848,787	24,848,787	24,848,787
General reserve		6,163,850	6,163,850	6,163,850
Unappropriated		416,875,811	247,765,755	198,432,959
Other components of equity		(8,465,000)	29,684,430	14,570,495
Total equity		1,172,860,283	1,041,899,657	977,452,926
Total liabilities and equity		2,965,363,203	2,950,671,769	2,873,419,253

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

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Directors
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Nam Seng Insurance Public Company Limited

Statements of comprehensive income

For the year ended 31 December 2013

		(Unit: Baht)	
	Note	2013	2012
			(Restated)
Income			
Net earned premium	22	1,468,413,788	1,161,416,698
Fee and commission income	22	32,890,396	25,661,944
Total income		1,501,304,184	1,187,078,642
Expenses			
Underwriting			
Claims expenses			
Claims and losses adjustment expenses	22	789,351,029	726,416,650
Commission and brokerage expenses	22	278,005,711	235,829,849
Other underwriting expenses	22	36,827,213	31,491,102
Contribution to Road Accident Victims Protection			
Company Limited	22	18,049,853	15,951,237
Operating expenses	22, 23	262,109,693	234,213,966
Total underwriting expenses		1,384,343,499	1,243,902,804
Profit (loss) from underwriting		116,960,685	(56,824,162)
Net investment income		91,816,068	85,942,356
Gain on investments		30,051,958	24,500,972
Fair value gains (losses)		(15,390,310)	15,427,477
Other income			
Gain on sale of assets		2,594,012	2,081,518
Others		5,981,131	9,404,275
Profit from operations		232,013,544	80,532,436
Contribution to the Office of Insurance Commission		(4,708,802)	(3,952,464)
Contribution to the General Insurance Fund	31	(4,207,565)	(3,452,465)
Contribution to the Victims Compensation Fund		(1,473,457)	(1,302,142)
Profit before income tax expenses		221,623,720	71,825,365
Income tax expenses	25	(38,613,664)	(8,607,269)
Profit for the year		183,010,056	63,218,096

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 2013

	Note	2013	(Unit: Baht) 2012 (Restated)
Other comprehensive income			
Gains (losses) on changes in values of available-for-sale investments		(47,686,787)	18,892,419
Income tax relating to components of other comprehensive income	4, 25	9,537,357	(3,778,484)
Other comprehensive income (expenses) for the year - net of tax		<u>(38,149,430)</u>	<u>15,113,935</u>
Total comprehensive income for the year		<u><u>144,860,626</u></u>	<u><u>78,332,031</u></u>
Earnings per share			
Basic earnings per share	26		
Profit for the year		<u>13.17</u>	<u>4.55</u>

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

Nam Seng Insurance Public Company Limited

Statement of changes in equity

For the year ended 31 December 2013

(Unit: Baht)

	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other components of equity	Total
			Appropriated		Unappropriated	Other comprehensive income	
			Statutory reserve	Other		Gains (losses) on changes in values of available- for-sale investments	
Balance as at 31 December 2011 - as previously reported	139,000,000	594,436,835	24,848,787	6,163,850	116,914,094	18,213,120	899,576,686
Cumulative effect of change in accounting policy for income tax (Note 4)	-	-	-	-	81,518,865	(3,642,625)	77,876,240
Balance as at 31 December 2011 - as restated	139,000,000	594,436,835	24,848,787	6,163,850	198,432,959	14,570,495	977,452,926
Dividend paid (Note 32)	-	-	-	-	(13,885,300)	-	(13,885,300)
Total comprehensive income for the year - restated	-	-	-	-	63,218,096	15,113,935	78,332,031
Balance as at 31 December 2012	139,000,000	594,436,835	24,848,787	6,163,850	247,765,755	29,684,430	1,041,899,657
Balance as at 31 December 2012 - as previously reported	139,000,000	594,436,835	24,848,787	6,163,850	161,762,859	37,105,538	963,317,869
Cumulative effect of change in accounting policy for income tax (Note 4)	-	-	-	-	86,002,896	(7,421,108)	78,581,788
Balance as at 31 December 2012 - as restated	139,000,000	594,436,835	24,848,787	6,163,850	247,765,755	29,684,430	1,041,899,657
Dividend paid (Note 32)	-	-	-	-	(13,900,000)	-	(13,900,000)
Total comprehensive income for the year	-	-	-	-	183,010,056	(38,149,430)	144,860,626
Balance as at 31 December 2013	139,000,000	594,436,835	24,848,787	6,163,850	416,875,811	(8,465,000)	1,172,860,283

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 2013

	(Unit: Baht)	
	2013	2012
Cash flows from operating activities		
Direct premium written	1,655,965,639	1,375,660,627
Cash received for reinsurance	156,481,517	15,393,965
Losses incurred of direct insurance	(880,789,602)	(770,808,157)
Losses adjustment expenses of direct insurance	(93,679,645)	(80,518,925)
Commissions and brokerages of direct insurance	(271,104,368)	(225,313,151)
Other underwriting expenses	(54,877,066)	(47,442,340)
Interest income	55,531,873	82,599,844
Dividend income	36,312,320	40,524,699
Other investment expenses	(1,566,405)	(42,306,894)
Other income	8,575,142	11,485,794
Operating expenses	(217,649,824)	(226,953,495)
Other income (expenses)	14,833,054	(13,091,300)
Income tax	(22,367,133)	(2,370,624)
Net cash from operating activities	385,665,502	116,860,043
Cash flows from investing activities		
Cash flows from		
Investments in securities	2,229,830,980	1,652,109,843
Loans	3,548,560	2,672,645
Property, buildings and equipment	402,897	979,006
Net cash from investing activities	2,233,782,437	1,655,761,494
Cash flows used in		
Investments in securities	(2,485,449,046)	(1,723,383,367)
Loans	(3,839,945)	(2,792,690)
Property, buildings and equipment	(20,849,194)	(10,268,012)
Intangible assets	(59,321)	(2,550,000)
Net cash used in investing activities	(2,510,197,506)	(1,738,994,069)
Net cash used in investing activities	(276,415,069)	(83,232,575)

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 2013

	(Unit: Baht)	
	2013	2012
Cash flows from financing activities		
Dividend paid (Note 32)	(13,900,000)	(13,885,300)
Net cash used in financing activities	<u>(13,900,000)</u>	<u>(13,885,300)</u>
Net increase in cash and cash equivalents	95,350,433	19,742,168
Cash and cash equivalents at beginning of year	<u>66,386,951</u>	<u>46,644,783</u>
Cash and cash equivalents at end of year (Note 7)	<u><u>161,737,384</u></u>	<u><u>66,386,951</u></u>

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

Nam Seng Insurance Public Company Limited
Notes to financial statements
For the year ended 31 December 2013

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 2013 are as follows:

(Unit: Million Baht)

	Gross claims	Claims refundable		Net claims
		from reinsurers		
		Agreed	Reserve	
Loss reserves and outstanding claims	136	-	(90)	46
Claims paid	267	(238)	-	29
Total	403	(238)	(90)	75
Claims reserve refundable from reinsurance under Excess of Loss contracts				(3)
Claims refundable from reinsurance under Excess of Loss contracts received				(26)
Net claims expense - statement of comprehensive income				46
Less: Net claims expense - statement of comprehensive income - 2011				(31)
Less: Net claims expense - statement of comprehensive income - 2012				(7)
Net claims expense - statement of comprehensive income - 2013				8

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

2. Basis of preparation

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

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

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

3. New accounting standards

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

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

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
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy in the first quarter of the current year and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

(b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

		<u>Effective date</u>
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under <i>TAS 29 Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Company has assessed the effect of the above accounting standard, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations and believes that they will not have any significant impact on the financial statements for the years when they are initially applied, except TFRS 4 for which the management is still evaluating the first-year impact to the financial statements and has yet to reach a conclusion, and TAS 12 (revised 2012) which does not have any impact to the Company's financial statements.

4. Cumulative effect of the changes in accounting policies due to the adoption of new accounting standard

During the first quarter of the current year, the Company made the change described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Baht)		
	31 December 2013	31 December 2012	1 January 2012
Statements of financial position			
Increase in deferred tax assets	84,138,720	89,307,599	81,738,073
Increase in deferred tax liabilities	226,642	10,725,811	3,861,832
Decrease in unappropriated retained earnings	(81,795,829)	(86,002,896)	(81,518,865)
Decrease in unappropriated of other components of equity	2,116,249	(7,421,108)	(3,642,624)

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
Statements of comprehensive income		
Profit or loss:		
Decrease in income tax	4,207,067	(4,484,031)
Increase in profit for the year	(4,207,067)	4,484,031
Increase in basic earnings per share	(0.30)	0.32
Other comprehensive income:		
Gains (losses) on changes in value of available-for-sale investments	9,537,357	(3,778,484)

5. Significant accounting policies

5.1 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 from investments

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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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 investment from one type to another, such investment will be readjusted to its fair value as at the reclassification date. The difference between the carrying amount of the investment and the fair value on the date of reclassification are recorded in profit or loss or recorded as 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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 associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.12 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.

5.13 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.

5.14 Long-term leases

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

5.15 Foreign currencies

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

Transactions in foreign currencies are translated into Baht at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

5.16 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, buildings and equipment and 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.

5.17 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 determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

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

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

5.18 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.

5.19 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

6. Significant accounting judgments and estimates

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

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 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.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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 amounts in the financial statements.

7. Cash and cash equivalents

	(Unit: Baht)	
	2013	2012
Cash on hand	242,398	180,297
Deposits at banks with no fixed maturity date	161,494,986	66,206,654
Deposits at banks with fixed maturity date	985,000,000	658,203,255
Total cash and deposits at financial institutions	1,146,737,384	724,590,206
Less: Deposits at banks which amount maturing in over 3 months	(985,000,000)	(658,203,255)
Cash and cash equivalents	<u>161,737,384</u>	<u>66,386,951</u>

8. Premium receivables

The balances as at 31 December 2013 and 2012 of premium receivables are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

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

(Unit: Baht)

	2012			Total
	Due from insured	Due from agents and brokers	Due from reinsurers	
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

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.

9. Reinsurance assets

	(Unit: Baht)	
	2013	2012
Amounts deposit on reinsurance	2,929	2,929
Amounts due from reinsurers	116,215,319	167,524,496
Insurance reserve refundable from reinsurers	204,038,678	454,592,932
Reinsurance assets	320,256,926	622,120,357
Less : Allowance for doubtful accounts	(2,730,000)	-
Reinsurance assets - net	317,526,926	622,120,357

Insurance reserve refundable from reinsurers as at 31 December 2013 includes insurance reserve refundable from reinsurers from flooding loss amounting to Baht 93 million (2012: Baht 406 million) as described in Note 1.2 to the financial statements.

The balances as at 31 December 2013 and 2012 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2013	2012
Not over 12 months	116,214,904	165,906,295
Over 1 year to 2 years	-	1,617,786
Over 2 years	415	415
Total amounts due from reinsurers	116,215,319	167,524,496

10. Investments in securities

10.1 Trading investments

	(Unit: Baht)				
	2013				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	38,272,075	1,128,261	-	39,400,336	1.33
Unit trusts	2,305,149	4,946	-	2,310,095	0.08
Total trading investments	40,577,224	1,133,207	-	41,710,431	1.41
					(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	1.34
Unit trusts	9,724,463	71,206	-	9,795,669	0.33
Total trading investments	32,798,049	16,523,516	-	49,321,565	1.67

10.2 Available-for-sale investments

	(Unit: Baht)				
	2013				
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	15,273,610	3,638,586	-	18,912,196	0.64
Unit trusts	237,375,479	-	(14,219,835)	223,155,644	7.52
Total available-for-sale investments	252,649,089	3,638,586	(14,219,835)	242,067,840	8.16
					(Unit: Baht)
					2012
	Cost	Unrealised gain	Unrealised loss	Fair value	Percentage to total assets
Private enterprise securities					
Stocks	25,450,303	15,913,233	-	41,363,536	1.40
Unit trusts	226,827,765	21,192,306	-	248,020,071	8.41
Total available-for-sale investments	252,278,068	37,105,539	-	289,383,607	9.81

10.3 Held to-maturity investments

(Unit: Baht)

	2013		2012	
	Cost/ Amortised cost	Percentage to total assets	Cost/ Amortised cost	Percentage to total assets
Government and state enterprise securities				
Government securities	454,657,721	15.33	388,135,754	13.15
State enterprise securities	60,068,564	2.03	164,238,579	5.57
Total	514,726,285	17.36	552,374,333	18.72
Private enterprise securities				
Debenture	158,000,000	5.33	178,062,463	6.03
Total	158,000,000	5.33	178,062,463	6.03
Deposits at banks - maturity over 3 months				
Deposits at commercial banks	985,000,000	33.22	658,203,255	22.31
Government savings bank lottery	23,000,000	0.78	13,000,000	0.44
Total	1,008,000,000	33.99	671,203,255	22.75
Total held-to-maturity investments	1,680,726,285	56.68	1,401,640,051	47.50

10.4 Other investments

(Unit: Baht)

	2013		2012	
	Cost	Percentage to total assets	Cost	Percentage to total assets
Non-marketable equity securities - local	2,223,020	0.07	2,223,020	0.08
Total other investments	2,223,020	0.07	2,223,020	0.08

10.5 Remaining period of debt securities

(Unit: Baht)

	2013			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
Held-to-maturity investments				
Government and state enterprise securities	100,539,512	241,405,003	172,781,770	514,726,285
Private enterprise debt securities	83,000,000	60,000,000	15,000,000	158,000,000
Deposits at commercial banks	933,000,000	75,000,000	-	1,008,000,000
Total investments in debt securities	1,116,539,512	376,405,003	187,781,770	1,680,726,285

(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

As at 31 December 2013 and 2012, certain bonds have been pledged with the Registrar of the Office of Insurance Commission and have been placed as a security in the normal course of business as discussed in Notes 28, 29 and 30.

11. Loans

As at 31 December 2013 and 2012, loans and accrued interest aged by principal and accrued interest are as follows:

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

(Unit: Baht)

Outstanding period	2012						
	Mortgage loans		Other loans		Total		Total
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
Not yet due	5,872,343	10,961	910,548	-	6,782,891	10,961	6,793,852
Overdue							
More than 12 months	-	-	314,526	203,847	314,526	203,847	518,373
Total	5,872,343	10,961	1,225,074	203,847	7,097,417	214,808	7,312,225
Less: Allowance for doubtful accounts	-	-	(314,526)	(203,847)	(314,526)	(203,847)	(518,373)
Loans and accrued interest, net	<u>5,872,343</u>	<u>10,961</u>	<u>910,548</u>	<u>-</u>	<u>6,782,891</u>	<u>10,961</u>	<u>6,793,852</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.

12. Properties foreclosed

	(Unit: Baht)	
	2013	2012
Properties received from debt settlement	17,221,271	23,238,789
Less: Allowance for impairment	(2,072,770)	(2,399,534)
Properties foreclosed, net	<u>15,148,501</u>	<u>20,839,255</u>

13. Property, buildings and equipment

	(Unit: Baht)					
	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
Cost:						
1 January 2012	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
Additions	-	-	4,119,194	-	965,750	5,084,944
Transfer during the year	-	15,450,000	314,250	-	(15,764,250)	-
Disposals / write-off	-	-	(3,555,826)	(849,959)	-	(4,405,785)
31 December 2013	<u>103,472,866</u>	<u>113,496,711</u>	<u>84,402,314</u>	<u>10,348,862</u>	<u>625,500</u>	<u>312,346,253</u>
Accumulated depreciation:						
1 January 2012	-	67,039,348	65,477,147	7,612,266	-	140,128,761
Depreciation for the year	-	4,801,577	6,097,514	1,315,247	-	12,214,338
Depreciation on 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
Depreciation for the year	-	5,125,238	5,753,814	1,230,240	-	12,109,292
Depreciation on disposals/write-off	-	-	(3,536,547)	(849,958)	-	(4,386,505)
31 December 2013	<u>-</u>	<u>76,966,163</u>	<u>73,085,404</u>	<u>6,672,797</u>	<u>-</u>	<u>156,724,364</u>
Net book value:						
31 December 2012	<u>103,472,866</u>	<u>26,205,786</u>	<u>12,656,559</u>	<u>4,906,306</u>	<u>15,424,000</u>	<u>162,665,517</u>
31 December 2013	<u>103,472,866</u>	<u>36,530,548</u>	<u>11,316,910</u>	<u>3,676,065</u>	<u>625,500</u>	<u>155,621,889</u>
Depreciation for the year						
2012						<u>12,214,338</u>
2013						<u>12,109,292</u>

As at 31 December 2013, 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 69.8 million (2012: Baht 66.8 million).

14. Intangible assets

	(Unit: Baht)
	<u>Computer software</u>
Cost:	
1 January 2012	3,936,662
Acquisition of computer software	<u>2,550,000</u>
31 December 2012	6,486,662
Acquisition of computer software	<u>59,321</u>
31 December 2013	<u>6,545,983</u>
Accumulated amortisation:	
1 January 2012	3,795,876
Amortisation charge	<u>157,632</u>
31 December 2012	3,953,508
Amortisation charge	<u>899,341</u>
31 December 2013	<u>4,852,849</u>
Net book value:	
31 December 2012	<u>2,533,154</u>
31 December 2013	<u>1,693,134</u>
Amortisation for the year	
2012	<u>157,632</u>
2013	<u>899,341</u>

As at 31 December 2013, certain computer softwares 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 (2012: Baht 3.7 million).

15. Other assets

	(Unit: Baht)	
	2013	2012
Advances	1,950,630	5,554,500
Prepaid expenses	19,676,655	15,938,147
Undue input tax	4,118,579	4,582,634
Account receivable - Revenue Department	-	7,263,147
Claim receivable from litigants	2,095,034	2,520,031
Notes receivable	8,787,489	11,355,107
Others	11,589,385	7,422,792
Total other assets	<u>48,217,772</u>	<u>54,636,358</u>

16. Due to reinsurers

	(Unit: Baht)	
	2013	2012
Outward premium payables	125,595,183	129,758,104
Amounts withheld on reinsurance	31,703,126	24,047,465
Total due to reinsurers	<u>157,298,309</u>	<u>153,805,569</u>

17. Loss reserves and outstanding claims

	(Unit: Baht)	
	2013	2012
Beginning Balance	882,432,492	1,130,886,876
Claims and losses adjustment expenses for the year	878,395,979	727,675,172
Change in claims and losses adjustment expenses paid of the prior year	(179,441,997)	(124,628,222)
Claims and losses adjustment expenses paid during the year	<u>(977,106,994)</u>	<u>(851,501,334)</u>
Ending balance	<u>604,279,480</u>	<u>882,432,492</u>

As at 31 December 2013 and 2012 the Company, which is reinsurer under the reinsurance contracts, has loss reserve and outstanding claims under such contracts of Baht 0.3 million and Baht 1.5 million, respectively.

Loss reserves and outstanding claims as at 31 December 2013 include loss reserves and outstanding claims from flooding claim amounting to Baht 136 million as described in Note 1.2 to the financial statements (2012: Baht 421 million).

18. Premium reserve

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

18.1 Unearned premium reserves

	(Unit: Baht)	
	2013	2012
Beginning balance	703,776,210	559,554,156
Premium written for the year	1,696,522,213	1,389,446,373
Premium earned for the current year	(1,567,456,064)	(1,245,224,319)
Ending balance	<u>832,842,359</u>	<u>703,776,210</u>

18.2 Unexpired risk reserves

	(Unit: Baht)	
	2013	2012
Beginning balance	529,248,679	449,767,652
Estimated claims for the year	1,219,021,108	425,023,551
Risk expired during the year	(1,180,546,442)	(345,542,524)
Ending balance	<u>567,723,345</u>	<u>529,248,679</u>

19. Employee benefit obligations

Provisions for employee benefits are as follows:

	(Unit: Baht)	
	2013	2012
Short-term benefits	18,155,138	16,236,936
Long-term benefits	30,542,419	26,333,007
Total	<u>48,697,557</u>	<u>42,569,943</u>

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

	(Unit: Baht)	
	2013	2012
Defined benefit obligation at beginning of year	26,333,007	24,022,597
Current service cost	1,472,492	1,510,450
Interest cost	908,236	864,936
Benefit paid during the year	(1,630,800)	(1,292,500)
Actuarial loss	3,459,484	1,227,524
Defined benefit obligation at end of year	<u>30,542,419</u>	<u>26,333,007</u>

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

	(Unit: Baht)	
	2013	2012
Current service cost	1,472,492	1,510,450
Interest cost	908,236	864,936
Actuarial loss recognised during the year	3,459,484	1,227,524
Total expenses recognised in profit or loss (commission and brokerage expenses)	<u>5,840,212</u>	<u>3,602,910</u>

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	2013	2012
Discount rate	4.1	4.0
Future salary increase rate	4.5	4.0 - 5.5
Staff turnover rate (depending on age)	7.0	7.0 - 10.0

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

	(Unit: Million Baht)	
	Defined benefit obligation	Experience adjustments on the obligation
Year 2013	30.5	1.4
Year 2012	26.3	-
Year 2011	24.0	-

20. Other liabilities

	(Unit: Baht)	
	2013	2012
Account payable - Revenue Department	5,392,008	4,037,288
Withholding tax payable	1,379,401	1,831,945
Undue output tax	12,547,263	11,047,490
Accrued expenses	19,735,677	13,667,969
Deposits from brokers	13,541,873	10,393,162
Others	21,014,008	9,207,387
Total other liabilities	<u>73,610,230</u>	<u>50,185,241</u>

21. Statutory reserve

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

22. Underwriting information reported by insurance categories

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

(Unit: Baht)

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

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

23. Operating expenses

	(Unit: Baht)	
	2013	2012
Personel expenses which are not expenses for underwriting and claims	80,885,387	76,848,360
Property and equipment expenses which are not expenses for underwriting	70,894,417	65,397,689
Bad debts and doubtful accounts (reversal)	(21,069)	11,795,100
Other operating expenses	110,350,958	80,172,817
Total operating expenses	262,109,693	234,213,966

24. Employee expenses

	(Unit: Baht)	
	2013	2012
Salaries and wages	143,326,098	142,812,324
Social security fund	812,021	786,245
Employee benefit fund	7,695,317	4,303,497
Others benefits	10,568,837	9,868,956
Total employee expenses	162,402,273	157,771,022

25. Income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Baht)	
	2013	2012
		(Restated)
Current income tax:		
Current income tax charge	34,406,597	13,091,299
Deferred tax:		
Relating to origination and reversal of temporary differences	4,207,067	(5,108,861)
Effects of changes in the applicable tax rates	-	624,831
Income tax expense reported in the statements of comprehensive income	38,613,664	8,607,269

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Baht)	
	2013	2012
		(Restated)
Deferred tax relating to gains (losses) on changes in value of available-for-sale investments	9,537,357	(3,778,484)

Reconciliation between income tax expenses and the product of accounting profits multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012:

	(Unit: Baht)	
	2013	2012
		(Restated)
Accounting profits before tax	221,623,720	71,825,365
Applicable tax rate	20%	23%
Accounting profit before tax multiplied by applicable tax rate	44,324,744	16,519,834
Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profits	(5,711,080)	(8,218,897)
Effects of changes in the applicable tax rates	-	624,830
Others	-	(318,498)
Income tax expenses reported in the statements of comprehensive income	38,613,664	8,607,269

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)		
	31 December 2013	31 December 2012	1 January 2012
Deferred tax assets			
Allowance for doubtful debts	7,020,344	8,892,857	6,700,621
Premium reserves	28,925,451	29,098,724	17,294,051
Provision for losses incurred but not yet reported (IBNR)	9,249,645	14,577,648	17,245,960
Loss reserves	30,718,547	31,471,769	35,692,921
Provision for long-term employee benefits	6,108,484	5,266,601	4,804,520
Unrealised losses on changes in values of available-for-sale investments	2,116,249	-	-
Total	84,138,720	89,307,599	81,738,073

	31 December 2013	31 December 2012	(Unit: Baht) 1 January 2012
Deferred tax liabilities			
Unrealised gains on changes in values of available-for-sale investments	-	(7,421,108)	(3,642,624)
Unrealised gains on changes in values of trading investments	(226,642)	(3,304,703)	(219,208)
Total	<u>(226,642)</u>	<u>(10,725,811)</u>	<u>(3,861,832)</u>
Deferred tax assets, net	<u>83,912,078</u>	<u>78,581,788</u>	<u>77,876,241</u>

In October 2011, the Cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the Cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company reflected the changes in tax rates in its deferred tax calculation, as presented above.

26. Earning per shares

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

27. Related party transactions

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)	
	2013	2012
Premium written		
Dung Seng Insurance Broker Co., Ltd.*	1,015,673,802	958,962,331
Asia Hotel Plc.	674,841	673,802
Asia Pattaya Hotel Co., Ltd.	589,725	575,542
Zeer Property Plc.	1,373,349	1,641,941
Asia Airport Hotel Co., Ltd.	527,921	539,295
Commission paid		
Dung Seng Insurance Broker Co., Ltd.	177,013,258	166,846,902
Rental of building space		
N.S.B. Co., Ltd.	1,262,649	1,277,180
Service fee of building space		
N.S.B. Co., Ltd.	20,113,159	18,140,875

* 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 2013 and 2012, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Baht)	
	2013	2012
Premium receivables (net of notes receivable from agent)		
Dung Seng Insurance Broker Co., Ltd.	132,842,037	137,382,593
Prepaid rental and service fee of building space		
N.S.B. Co., Ltd.	19,450,101	15,735,592
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	22,629,593	23,179,044

Directors and management's benefits

During the year ended 31 December 2013 and 2012, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	2013	2012
Short-term employee benefits	17.8	15.0
Post-employment benefits	0.4	0.4
Total	18.2	15.4

28. Securities placed with the Registrar

As at 31 December 2013 and 2012, the Company has pledged its securities with the Registrar in accordance with the Non-life Insurance Act as follows:

	(Unit: Baht)			
	2013		2012	
	Cost	Fair value	Cost	Fair value
Government bonds	14,000,000	14,155,684	14,000,000	14,042,426

29. Assets reserved with the Registrar

As at 31 December 2013 and 2012, 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)			
	2013		2012	
	Cost	Fair value	Cost	Fair value
Government bonds	208,000,000	211,156,472	167,000,000	168,980,930

30. Collateralised assets

As at 31 December 2013 and 2012, the Company has collateralised assets as follows:

		(Unit: Baht)	
		2013	2012
Government bonds	- As collateral for bail bonds	11,470,000	12,520,000
	- As collateral for electrical usage	300,000	300,000
	- As collateral for bank overdrafts	10,000,000	10,000,000
	- As collateral for maintenance contracts	500,000	-
Government saving bank lottery	- As collateral for Bank for Agriculture and Agricultural Cooperatives	2,000,000	-
	- As collateral for bail bonds	200,000	-
Total		24,470,000	22,820,000

31. Contribution to the General Insurance Fund

	(Unit: Baht)	
	2013	2012
Accumulated contribution at the beginning of the year	10,000,347	6,547,882
Contribution during the year	4,207,565	3,452,465
Accumulated contribution at the end of the year	<u>14,207,912</u>	<u>10,000,347</u>

32. Dividend paid

Dividend declared during the years 2013 and 2012 consists of the following:

	Approved by	Total dividends	Dividend
		(Million Baht)	per share
			(Baht)
Final dividends for 2012	Annual General Meeting of the shareholders on 29 April 2013	13.9	1.0
Final dividends for 2011	Annual General Meeting of the Shareholders on 26 April 2012	13.9	1.0

33. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assess its performance. The Chief Operating Decision Maker has been identified as Managing Director.

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

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

The following tables present revenue and profit regarding the Company' operating segments for the years ended 31 December 2013 and 2012, respectively.

(Unit: Baht)

	Motor		Others		Total	
	2013	2012	2013	2012	2013	2012
Underwriting income						
Premium written	1,492,922,035	1,233,212,378	203,600,178	156,233,995	1,696,522,213	1,389,446,373
Less: Premium ceded	(13,068,576)	(15,423,437)	(105,272,121)	(72,426,652)	(118,340,697)	(87,850,089)
Add (less): Unearned premium reserve	(105,120,096)	(142,776,196)	(4,647,632)	2,596,610	(109,767,728)	(140,179,586)
Earned premium	1,374,733,363	1,075,012,745	93,680,425	86,403,953	1,468,413,788	1,161,416,698
Fee and commission income	32,512	26,276	32,857,884	25,635,668	32,890,396	25,661,944
Total underwriting income	1,374,765,875	1,075,039,021	126,538,309	112,039,621	1,501,304,184	1,187,078,642
Underwriting expenses						
Claims and losses adjustment expenses	759,850,696	712,021,729	29,500,333	14,394,921	789,351,029	726,416,650
Commission and brokerage expenses	246,344,953	208,224,543	31,660,758	27,605,306	278,005,711	235,829,849
Other underwriting expenses	30,237,970	24,352,042	6,589,243	7,139,060	36,827,213	31,491,102
Contribution to Road Accident Victims Protection Co., Ltd.	18,049,853	15,951,237	-	-	18,049,853	15,951,237
Operating expenses	-	-	-	-	262,109,693	234,213,966
Total underwriting expenses	1,054,483,472	960,549,551	67,750,334	49,139,287	1,384,343,499	1,243,902,804
Profits (loss) from underwriting	320,282,403	114,489,470	58,787,975	62,900,334	116,960,685	(56,824,162)
Net investment income					91,816,068	85,942,356
Gains on investments					30,051,958	24,500,972
Fair value gains (losses)					(15,390,310)	15,427,477
Other income					8,575,143	11,485,793
Profit from operation					232,013,544	80,532,436
Contribution to the Office of Insurance Commission					(4,708,802)	(3,952,464)
Contribution to the General Insurance Fund					(4,207,565)	(3,452,465)
Contribution to the Victims Compensation Fund					(1,473,457)	(1,302,142)
Profit before income tax expenses					221,623,720	71,825,365
Income tax expenses					(38,613,664)	(8,607,269)
Profit for the year					183,010,056	63,218,096

Segments assets and liabilities as at 31 December 2013 and 2012 are as follows:

(Unit: Baht)

	Motor	Others	Unallocated assets/liabilities	Total
Assets				
31 December 2013	184,017,947	326,439,609	2,454,905,647	2,965,363,203
31 December 2012	166,446,094	623,931,186	2,160,294,489	2,950,671,769
Liabilities				
31 December 2013	1,222,230,325	435,698,702	134,573,893	1,792,502,920
31 December 2012	1,108,446,311	696,844,806	103,480,995	1,908,772,112

Geographic information

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

Major customers

For the year 2013, the Company has revenue from one major broker in amount of Baht 964 million, arising from sales by the motor segment (2012: Baht 904 million derived from one major broker, arising from sales by the motor segment).

34. Commitments and contingent liabilities

34.1 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 2013 and 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	2013	2012
Payable:		
In up to 1 year	21.0	22.3
In over 1 and up to 5 years	1.4	25.9

34.2 Litigation

As at 31 December 2013, the Company, as an insurer, has been sued for damaged amounting to approximately Baht 414.6 million. The total sum insured covered by insurance policies is Baht 59.4 million. The outcomes of these cases have not yet been finalised. However, the Company has set aside reserve for its losses totaling Baht 55.5 million in the financial statements.

35. Financial instruments

35.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium receivables, investments in securities, and loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to premium receivables, and mortgage loans.

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

Interest rate risk

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

Significant financial assets as at 31 December 2013 and 2012 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)

2013							
	Fixed interest rates			Floating interest rate	Non- interest Bearing	Total	Interest rate (% p.a)
	Within 1 year	2 - 5 years	Over 5 years				
	Cash equivalent	151	-	-	-	11	162
Investments in securities							
Government and state enterprise securities	114	251	173	-	-	538	1.00%-8.25%
Private enterprise debt securities	83	60	15	-	-	158	3.70%-6.00%
Deposits at financial institutions	900	85	-	-	-	985	2.70%-4.00%
Mortgage loans - net	-	-	-	7	-	7	5.13%-10.13%
Total	1,248	396	188	7	11	1,850	

(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
Investments in securities							
Government and state enterprise securities	221	334	10	-	-	565	1.25%-6.80%
Private enterprise debt securities	40	103	35	-	-	178	3.00%-5.70%
Deposits at financial institutions	586	72	-	-	-	658	1.25%-4.10%
Mortgage loans - net	-	-	-	7	-	7	5.13%-15.00%
Total	903	509	45	7	10	1,474	

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.

35.2 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 2013 and 2012, the aggregate carrying values and fair values of investments in held-to-maturity securities are as follows:

	2013		2012	
	Book value	Fair value	Book value	Fair value
Government and state enterprise securities	515	521	552	560
Private enterprise debt securities	158	160	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.

36. Capital management

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

37. Approval of the financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2014.