

CHARAN INSURANCE PUBLIC COMPANY LIMITED
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of CHARAN INSURANCE PUBLIC COMPANY LIMITED

Opinion

I have audited the financial statements of CHARAN INSURANCE PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CHARAN INSURANCE PUBLIC COMPANY LIMITED as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Gross premium written

The Company had gross premium written amount of Baht 188.68 million, representing 82.74 percent of total revenues before premium coded to reinsurers which are insurance from retail customers and there were a large number of insurance policies written. Calculation and recognition of gross premium written as revenue are dependent upon information and technology (IT) systems. Hence, I focused on examining whether gross premium written are correctly recorded as actually incurred.

I have obtained an assurance relating to the accuracy and occurrence of gross premium written.

- Obtained an understanding and tested internal control system relating to operation procedure, insurance policy issuance, recording data in information and technology systems (IT) and gross premium written account.
- Performed sampling test internal control of information and technology system (IT) relating to insurance premium sales, insurance premium calculation and gross premium written recognition.
- Performed sampling test insurance policy in order to examine gross premium written is recognized in accordance with condition indicated in insurance policy and policy of the Company.
- Performed analytical procedure gross premium written account recognized in the accounting period and sampling test of recording gross premium written made through journal voucher.
- Reviewed data of insurance policy and endorsed insurance policy before and after reporting period.

Loss reserves

The Company had loss reserves of Baht 55.88 million (presented as a part of insurance contract liabilities.) representing 25.06 percent of total liabilities. Loss reserves are included both claims incurred and reported and not yet reported. Such reserves are calculated by the Management under actuarial method and key assumption used in calculation referred from information in the past and judgment made by the Management to determine assumption. Hence, I focused on examining the adequacy of loss reserves.

I have obtained an assurance relating to the adequacy of loss reserves by included.

- Obtained an understanding and assessed internal control system relating operation procedure, relevant to claims estimation of claim reserves and recording of loss reserves.
- Performed sampling test internal control system of the company relating to recording loss reserves.
- Inquired the Management relating to assumption used in estimation by actuary of the Company.
- Considered qualification of actuary of the Company.
- Read estimated loss reserve report prepared by actuary and compared with accounting record.
- Assessed assumption and loss reserve calculation by sampling claims information used by actuary.
- Examined claims document of major claim file.
- Required an expert for reviewing loss reserve estimation and assumption assessment including calculation method and comparing with assumption of previous year.

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after that date.

My opinion on the financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for appropriate correction.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

D I A International Audit Co., Ltd.

(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

February 25, 2019

CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		<i>(Unit : Baht)</i>	
	<i>Note</i>	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	6	11,875,195.93	39,549,811.22
Premium due and uncollected	7	28,984,979.72	25,129,084.90
Accrued investment income		3,297,036.40	2,718,080.76
Reinsurance assets	8	25,020,734.59	23,316,101.79
Reinsurance receivables	9	8,902,865.15	9,278,533.89
Investment properties			
Investments in securities	10	649,707,448.06	637,088,075.17
Loans	11	8,547,552.64	10,177,930.20
Property, plant and equipment	12	43,453,740.05	44,060,820.88
Intangible assets	13	56,149.85	116,549.85
Deferred tax assets	14	11,952,510.79	8,625,731.13
Other assets	15	7,707,311.34	7,419,479.83
TOTAL ASSETS		799,505,524.52	807,480,199.62

Notes to the financial statements are an integral part of these financial statements.

CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONT.)

AS AT DECEMBER 31, 2018

		(Unit : Baht)	
	Note	December 31, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Insurance contract liabilities	16	154,119,404.80	134,524,766.80
Due to reinsurers	17	19,877,969.60	17,595,171.95
Income tax payables		1,071,302.42	229,020.26
Employee benefit obligations	19	8,766,376.00	9,529,040.00
Deferred tax liabilities	14	11,934,534.61	17,010,660.03
Others liabilities			
Unearned revenue		11,083,803.28	9,321,123.06
Others	20	16,145,103.98	17,219,183.63
TOTAL LIABILITIES		222,998,494.69	205,428,965.73

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONT.)

AS AT DECEMBER 31, 2018

		(Unit : Baht)	
	Note	December 31, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital			
Registered capital			
12,000,000 ordinary shares of Baht 10.00 each		120,000,000.00	120,000,000.00
Issued and paid-up share capital			
12,000,000 ordinary shares of Baht 10.00 each		120,000,000.00	120,000,000.00
Premium on share capital		258,000,000.00	258,000,000.00
Retained earnings			
Appropriated			
Statutory reserve		12,000,000.00	12,000,000.00
Unappropriated		138,768,891.38	144,008,593.75
Other components of equity		47,738,138.45	68,042,640.14
TOTAL SHAREHOLDERS' EQUITY		576,507,029.83	602,051,233.89
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		799,505,524.52	807,480,199.62

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

		(Unit : Baht)	
	<i>Note</i>	2018	2017
Revenues			
Premium written		188,682,947.33	198,869,488.96
Less: Premium ceded		(32,828,789.65)	(36,913,431.25)
Net Premium written		155,854,157.68	161,956,057.71
Add/Less: Unearned premium reserves from prior period		927,481.82	(11,016,181.19)
Net Premiums earned	34	156,781,639.50	150,939,876.52
Fee and commission income	34	11,645,834.17	12,347,751.30
Income on investments - net	34	20,194,324.80	20,769,465.44
Other income		7,509,672.17	10,202,384.99
Total revenues		196,131,470.64	194,259,478.25
Expenses			
Gross benefits and claims		73,975,799.22	57,854,702.03
Less: claims recovered from reinsurers		(10,142,608.09)	(11,311,372.51)
Insurance claims and loss adjustment expenses	34	63,833,191.13	46,543,329.52
Commissions and brokerages	34	29,767,197.70	31,579,391.55
Other underwriting expenses	34	53,543,889.66	55,118,550.06
Operating expenses	22	43,297,273.70	46,447,049.34
Total expenses		190,441,552.19	179,688,320.47
Profit (Loss) before corporate income tax		5,689,918.45	14,571,157.78
Corporate income tax	14.2	509,628.78	(1,279,040.01)
Profit (Loss) for the years		6,199,547.23	13,292,117.77

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2018

		(Unit : Baht)	
	<i>Note</i>	2018	2017
Other comprehensive income (expenses)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations		700,938.00	2,958,310.00
Income tax relating to other comprehensive income	14.3	(140,187.60)	(591,662.00)
Remeasurements of post-employment benefit obligations - net of tax		560,750.40	2,366,648.00
<u>Items that will be reclassified subsequently to profit or loss</u>			
Fair value changes on available-for-sale investments		(25,380,627.11)	13,103,870.14
Income tax relating to component of other comprehensive income	14.3	5,076,125.42	(2,620,774.02)
Other comprehensive income (expenses) for the year, net of tax		(20,304,501.69)	10,483,096.12
Other comprehensive income (expenses) for the years, net of tax		(19,743,751.29)	12,849,744.12
Total comprehensive income (expenses) for the years		(13,544,204.06)	26,141,861.89
Basic Earnings per share			
Net profit (loss)		0.52	1.11
Number of ordinary shares		12,000,000	12,000,000

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>(Unit : Baht)</i>	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net direct premium written	183,253,992.80	186,117,981.50
Cash paid for reinsurance	(25,855,300.12)	(29,390,894.95)
Interest income	10,791,103.56	13,212,990.34
Dividend	8,824,265.60	9,518,708.52
Other income	7,509,672.17	10,192,584.99
Losses incurred of direct insurance	(46,263,375.91)	(46,487,020.74)
Commissions and brokerages	(18,000,399.36)	(18,538,108.56)
Other underwriting expenses	(53,543,889.66)	(55,118,550.06)
Operating expenses	-43,711,574.77	(44,143,736.26)
Income tax	-2,115,056.32	(2,475,031.50)
Investments in securities	(38,000,000.00)	(15,000,000.00)
Collateralized loans	1,630,377.56	2,294,992.08
Deposits at financial institutions	-	30,000,000.00
NET CASH PROVIDED BY (USE IN) OPERATING ACTIVITIES	(15,480,184.45)	40,183,915.36
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows provided by		
Property held for sale - net	-	128,800.00
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	128,800.00

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (CONT.)

FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>(Unit : Baht)</i>	
	2018	2017
Cash flows used in		
Equipment	(194,430.84)	(713,928.04)
NET CASH USED IN INVESTING ACTIVITIES	(194,430.84)	(713,928.04)
NET CASH USED IN INVESTING ACTIVITIES	(194,430.84)	(585,128.04)
NET CASH USED IN FINANCING ACTIVITIES		
Dividend	(12,000,000.00)	(18,000,000.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,674,615.29)	21,598,787.32
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	39,549,811.22	17,951,023.90
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	11,875,195.93	39,549,811.22

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unit : Baht)

		Retained earnings				Other component of	
		Share capital	Premium on	Statutory	Unappropriated	Fair value	
		Issued and fully paid	share capital	reserve		changes on available	Total
	Note					for sale investments	
Balance as at December 31,2016		120,000,000.00	258,000,000.00	12,000,000.00	146,349,827.98	57,559,544.02	593,909,372.00
Profit (Loss) for the years		-	-	-	13,292,117.77	-	13,292,117.77
Other comprehensive income (expenses) for the years, net of tax		-	-	-	2,366,648.00	10,483,096.12	12,849,744.12
Dividend	21	-	-	-	-18,000,000.00	-	-18,000,000.00
Balance as at December 31,2017		120,000,000.00	258,000,000.00	12,000,000.00	144,008,593.75	68,042,640.14	602,051,233.89
Profit (Loss) for the years		-	-	-	6,199,547.23	-	6,199,547.23
Other comprehensive income (expenses) for the years, net of tax		-	-	-	560,750.40	-20,304,501.69	-19,743,751.29
Dividend	21	-	-	-	-12,000,000.00	-	-12,000,000.00
Balance as at December 31,2018		120,000,000.00	258,000,000.00	12,000,000.00	138,768,891.38	47,738,138.45	576,507,029.83

Notes to the financial statements are an integral part of these financial statements.

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CHARAN INSURANCE PUBLIC COMPANY LIMITED
CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

CHARAN INSURANCE PUBLIC COMPANY LIMITED (“the Company”) was incorporated as a public limited company on March 15, 1994, Registration No. BorMorJor. 0107537000807. The Company has its registered head office at 408/1 Ratchadapisak Road, Samsennok, Huaykwang, Bangkok. The Company’s principal activity is the provision of non - life insurance.

2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

2.1 Preparation of financial statements

The financial statements have been prepared in Conformity 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 guidelines prescribed by the Office of Insurance Commission (“OIC”), regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

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.

2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS (Cont.)

2.2 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for the financial statements for the year beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of those financial reporting standards does not have any significant impacts on the Company financial statements.

2.3 Financial reporting standards that will become effective in the future

Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2019.

TFRS 15 Revenue from Contracts with Customers, establishes the principles that the information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer, is to be reported to the users of financial statements. The entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity applies a five-step model to account for revenue and exercise judgement, taking into consideration when applying each step of the model.

TFRS 15 Revenue from Contracts with Customers supersedes the Thai Accounting Standards, Thai Standing Interpretations Committee and Thai Financial Reporting Interpretations Committee as detailed below:

Thai Accounting Standards

TAS 11 (Revised 2017)	Construction contracts
TAS 18 (Revised 2017)	Revenue

Thai Financial Reporting Standards Interpretations

TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers

Thai Standing Interpretations Committee

TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
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2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS (Cont.)

2.3 Financial reporting standards that will become effective in the future (Cont.)

At present, the Management of the Company has assessed that there is no impact of the above Thai Financial Reporting Standards on the financial statements which will become effective in the future.

Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2020.

The Federation of Accounting Professions prepared new Thai Financial Reporting Standards based on International Financial Reporting Standards for the period ended December 31, 2017 (Bound Volume 2018 Consolidated without early application) as follows:

Thai Financial Reporting Standards

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Thai Accounting Standards

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards Interpretations

TFRIC 16 Hedges of a Net Investments in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The above set of Thai Financial Reporting Standards (TFRSs) sets out the requirements for the classification and measurement of financial instrument at the fair value or amortized cost by considering from the type of instruments, contractual cash flow characteristics and the entity's business model, including the impairment methodology by using the expected credit loss, and the general hedge accounting, as well as the presentation and disclosures of financial instrument. When this set of TFRSs are effective, as a result, some currently effective accounting standards, interpretations and guidance will be cancelled.

At present, the Management of the Company is being assessed the impacts of those financial reporting standards which will be effective in the future on the financial statements.

3. ACCOUNTING POLICY

3.1 Product classification

The company classifies the insurance contract and reinsurance contract based on the nature of the contract. An insurance contract is one under which the insurer has accepted significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Determination of whether a significant insurance risk has been accepted is based on comparison of the amount of benefit payable under the contract if an insured event occurs with the payment obligation if the insured event does not occur. If a contract does not meet these criteria, the Company classifies it as an investment contract. Investment contracts are insurance contracts in legal form that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in interest rate, foreign exchange rate and index of price or rates.

The Company classifies contracts based on an assessment of the insurance risk at an inception of contract on a contract-by-contract basis. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, unless all rights and obligations are extinguished or expire. If any contract is previously classified as investment contracts at an inception date, it can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.2 Revenue recognition

(a) Premium

Premium income is recognized on the date the insurance policy comes into effective date by after deducting premium ceded, cancelled and unearned premium reserve adjustment for insurance policies of which the coverage periods are less than 1 year. For long-term policies which the coverage periods are longer than 1 year that the related revenues and expenses are recorded as unearned and prepaid items. The Company amortizes the recognition of the unearned and prepaid items as income and expenses over the coverage period on the yearly basis.

(b) Reinsurance premium income

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

(c) Commission and brokerage fee income

Commission and brokerage fee from ceded premium are recognized as income when services have been rendered to the reinsurers.

Commission and brokerage fees from ceded premium with coverage periods longer than 1 year are recorded as unearned items and recognized as income over the coverage period.

3. ACCOUNTING POLICY (Cont.)

3.2 Revenue recognition

(d) Interest income and dividends

Interest income is recognized as interest accrues based on the effective rate method. Dividends are recognized when the right to receive the dividend is established.

(e) Gain (loss) on trading securities

Gain (loss) on trading securities is recognized as income or expenses on the transaction date.

(f) Other income

Other income is recognized on the accrual basis

3.3 Premium reserve

(a) Unearned premium reserve

Unearned premium reserve is set aside in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves of non-life insurance companies as follow:-

<u>Type of insurance</u>	<u>Reserve Calculation Method</u>
- 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 risks reserve

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

The Company compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognized as unexpired risks reserve in the financial statements.

3. ACCOUNTING POLICY (Cont.)

3.4 Loss reserve and outstanding claims

The Company was recorded the outstanding claims which have been provided upon receipt of claim advices from the insured. They are recorded at the value appraised by an independent appraiser, or by the Company's officer as each case but not exceed than the maximum of sum insured of each policy.

In addition, the Company sets up provision reserve for losses incurred but not yet reported (IBNR) which calculated as based on the best estimate by Professional Actuary, the provision will be covered for all projected losses , such as losses incurred during this period , losses incurred but not reported (IBNR) and net by losses paid.

3.5 Commissions, brokerages and other expense

Commissions and brokerages are expended when incurred, Other expense is recognized on the accrual basis

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposit at financial institutions and short-term investment with high liquidity with an original maturity of 3 months or less and not subject to withdrawal restrictions.

3.7 Premium due and uncollected

Premium due and uncollected from direct is carried at its net realizable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging and current status of the premium due as at the Statements of financial position date.

3.8 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of premium reserve, loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

3. ACCOUNTING POLICY (Cont.)

3.9 Reinsurance receivables and due to reinsurers

- (a) Reinsurance receivables are stated at the outstanding balance of amount due from reinsurers, amounts deposit on reinsurance, and insurance reserve refundable from reinsurers.

Amounts due from reinsurers consist of accrued commission and brokerage income receivables, claims and various other 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 receivables from reinsurers as at the end of the reporting period.

- (b) Amounts due from reinsurers are stated at the 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 receivables or amounts due to reinsurers) when the criteria for offsetting as follows.

- (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 recognized in the statements of financial position, or to realize the asset at the same time as it pays the liability.

3.10 Investments

- (a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amount of securities are included in the Statements of comprehensive income.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as operation comprehensive income and recognized this accumulation to shareholder's equity until sold out these securities that will be record in the Statements of comprehensive income.
- (c) Investments in held-to-maturity debt securities are recorded at amortized cost. The premium/discount on debt securities is amortized by the effective rate method with the amortized amount presented as an adjustment to the interest income.

3. ACCOUNTING POLICY (Cont.)

3.10 Investments

- (d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for the diminution in value (if applicable).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments are determined based on the price quoted by the Thai Bond Market Association. The fair value of unit trust is determined from their net asset value.

Loss on impairment of investments in available-for-sale securities, held-to-maturity debt securities, and other investments is included in the Statements of comprehensive income when the carrying amount exceeds its recoverable amount. the weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are recorded as gains (losses) in the Statements of comprehensive income, or as revaluation surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

3.11 Assets held for sales

Real estates held for sales are stated at the lower of cost or net saleable value. The Company set up an allowance for impairment on such assets.

3.12 Loans and allowance for doubtful accounts.

Loans are stated at net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience, analysis of debt aging and the appraisal value of the collateral of each debtor.

3) ACCOUNTING POLICY (Cont.)

3.13 Property, Plant and equipment, and depreciation

- (a) Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if applicable).
- (b) Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Building and improvement	20	years
Fixtures and office equipment	5	years
Motor vehicles	5	years

Land and construction in progress were not depreciated.

3.14 Intangible assets and amortization

Intangible asset is stated at cost less accumulated amortization and impairment of assets (if applicable). Amortization of intangible assets is calculated by reference to their costs on a straight-line basis over the period of the lease and the expected beneficial period as follows: -

Computer software	5	years
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3.15 Impairment of assets

For the date stated in Statements of financial position, The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the Statements of comprehensive income. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

3. ACCOUNTING POLICY (Cont.)

3.16 Income tax

Income tax consists of current income tax and deferred income tax

(a) Current income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation, during the reporting period and including of unpaid tax in previous year.

(b) Deferred Tax

- 1) Deferred income tax is calculated based on temporary differences between book value of assets and liabilities as book in the Statements of financial position compare with these taxes base of assets and liabilities. The Company will be evaluate the value of deferred tax assets and liabilities by tax rate for each period that the Company has expected to be get benefit from deferred tax assets or in each period to expected to paid for deferred tax liabilities.
- 2) The Company recognizes deferred tax liabilities for taxable temporary differences and recognizes deferred tax assets by compare with the deductible temporary differences and tax losses carried forward. The Company recognizes deferred tax assets 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 utilized.
- 3) At each Statements of financial position date, 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 utilized or change in tax rate.
- 4) The Company recognizes deferred tax expenses to revenue or expense in the statements of income, except when the temporary differences relate to items under the shareholders' equity, in which case the deferred tax is directly recorded in the shareholders' equity.

3.17 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.

3. ACCOUNTING POLICY (Cont.)

3.18 Employee benefits

Short-term benefit

The Company recognizes salary, wage, bonus, contribution to social security fund and provident fund as incurred expenses.

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 recognized as expenses in the year in which they are incurred.

Post-employment benefits (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 Company's obligation under the defined benefit plan is using the projected unit credit method, determined by the certified actuary. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

Actuarial gains and losses arising from post-employment benefits (Defined contribution plan) is recognized immediately in the other comprehensive income and recognized in the Statements of comprehensive income for Actuarial gains and losses arising from post-employment benefits (Defined benefit plan).

On December 13, 2018, the National Legislative Assembly passed the resolution to approve the draft of new Labour Protection Act which determined the additional rate of severance pay in the case of termination of employment for a terminated employee who has worked for 20 consecutive years or more and shall be entitled to receive payment not less than the last rate of wages for 400 days. However, new Labour Protection Act is being announced in the Government Gazette. The Company, therefore, shall record the effects of new Labour Protection Act when it becomes effective.

3.19 Operating lease

Leases of assets which transferring a significant portion of the risks and rewards of ownership to the lessor are classified as operating leases. Payments made under operating leases are charged as expenses under the lease term.

3. ACCOUNTING POLICY (Cont.)

3.20 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currency outstanding at the Statements of financial position date are translated into Baht at the exchange rates ruling on the Statements of financial position date. Gains and losses on exchange are included in the calculation of operation result.

3.21 Provision, expenses and contingent assets

The Company set up the provision and expense in the financial statements when there is a legally incurred liability or certain possibility inferring from a continuing result from the past incident, which may result in the Company having to repay or compensate for the said liability and the amount to be repaid can be reliably estimated. The Company would recognize the contingent assets as separate assets when there is a supporting factor for the absolute certainty in receiving the repayment.

3.22 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

3.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions.

3.24 Financial instruments

Financial instruments reflected in the Statements of financial position are composed of cash and cash equivalents, investments securities, uncollection premium which the specific accounting policy for each item is separately disclosed in each related caption.

3.25 Earnings per share

Earnings (Loss) per share presented in the statements of income is the basic earnings (loss) per share which is determined by dividing the net profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

4. Critical accounting estimates, assumptions and judgements

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

4.1 Allowance for doubtful accounts of premium due and uncollected and reinsurance assets.

In determining an allowance for doubtful accounts of premium due and uncollected and reinsurance assets, the management needs to make judgement and estimates expected loss incurred from expected uncollectible of premium due and collected and reinsurance assets.

Allowance for doubtful accounts is estimated based upon past collection history, aging profile of outstanding debts and the current status of premium due and uncollected and reinsurance assets as at the statement of financial position date. Reliability rankings, existing information of fund at the closing date and other information disclosed in public are additionally determined for reinsurance assets.

4.2 Impairment of equity investments

The Company treat available-for-sale 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 judgement of the management.

4.3 Property, plant and equipment / intangible assets

Management determines the estimated useful lives and residual values for the property, plant and equipment / intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write off or write down technically obsolete assets that have been abandoned or sold.

In addition, the management is required to review plant 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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

4. Critical accounting estimates, assumptions and judgements (Cont.)

4.4 Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether to recognise deferred tax assets. The Company's assumptions regarding the future profitability and the anticipated timing of utilisation of deductible temporary differences and significant changes in these assumptions from year to year may have a material impact on the Company's reported financial position and results of operations.

4.5 Claims incurred but not yet reported by insured ("IBNR")

The IBNR recognised in the Statement of Financial Position is estimated based on various assumptions by using actuarial methods required by Office of Insurance Commission. The assumptions are frequently reviewed in the light of recent experience and current conditions.

4.6 Employee benefits obligations

The obligation under the defined benefit plans and other long-term employee benefit plans are 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.

4.7 Unexpired risk reserve

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

4.8 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 as at the end of reporting period. However, actual results could differ from the estimates

5. FAIR VALUE MEASUREMENT

The Company use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available. The Company used an appropriate measurement such as the present value determination of cash flows etc.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company endeavour to use relevant observable inputs as much as possible. The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.
- Level 3 unobservable inputs for assets or liabilities.

5. FAIR VALUE MEASUREMENT (Cont.)

As at 31 December 2018 and 2017, the Company had assets and liabilities that were measured at fair value or disclosed at fair value using different levels of inputs as follows:

(Unit: Baht)

	2018				
	Carrying	Fair values			
	values	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Equity securities	229,836,388.06	229,836,388.06	-	-	229,836,388.06
<u>Assets for which fair value are disclosed</u>					
Cash and cash equivalents	11,875,195.93	11,875,195.93	-	-	11,875,195.93
Premium receivables	28,984,979.72	-	-	28,984,979.72	28,984,979.72
Reinsurance assets – claim reserves					
refundable from reinsurers	7,941,522.82	-	-	7,941,522.82	7,941,522.82
Reinsurance receivables	8,902,865.15	-	-	8,902,865.15	8,902,865.15
Held to maturity investments					
Government and state enterprise securities	16,600,000.00	-	-	16,749,583.20	16,749,583.20
Private sector debt securities	233,000,000.00	-	236,683,075.49	-	236,683,075.49
Deposits at financial institutions which matured over 3 months	169,930,000.00	169,930,000.00	-	-	169,930,000.00
General investments	341,060.00	-	-	22,998,812.04	22,998,812.04
Loans	8,547,552.64	-	-	8,547,552.64	8,547,552.64
<u>Liabilities which fair value are disclosed</u>					
Insurance contract liabilities - claim reserves	55,882,661.30	-	-	55,882,661.30	55,882,661.30
Amounts due to reinsurances	19,877,969.60	-	-	19,877,969.60	19,877,969.60

During the current year, there were no transfers within the fair value hierarchy.

5. FAIR VALUE MEASUREMENT (Cont.)

(Unit: Baht)

	2017				
	Carrying	Fair values			
	values	Level 1	values	Level 1	values
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Equity securities	255,217,015.17	255,217,015.17	-	-	255,217,015.17
<u>Assets for which fair value are disclosed</u>					
Cash and cash equivalents	39,549,811.22	39,549,811.22	-	-	39,549,811.22
Premium receivables	25,129,084.90	-	-	25,129,084.90	25,129,084.90
Reinsurance assets – claim reserves					
refundable from reinsurers	5,244,300.31	-	-	5,244,300.31	5,244,300.31
Reinsurance receivables	9,278,533.89	-	-	9,278,533.89	9,278,533.89
Held to maturity investments					
Government and state enterprise securities	16,600,000.00	-	-	16,965,152.40	16,965,152.40
Private sector debt securities	200,000,000.00	-	205,365,387.36	-	205,365,387.36
Deposits at financial institutions which matured over 3 months	164,930,000.00	164,930,000.00	-	-	164,930,000.00
General investments	341,060.00	-	-	22,209,646.56	22,209,646.56
Loans	10,177,930.20	-	-	10,177,930.20	10,177,930.20
<u>Liabilities which fair value are disclosed</u>					
Insurance contract liabilities - claim reserves	34,367,951.77	-	-	34,367,951.77	34,367,951.77
Amounts due to reinsurances	17,595,171.95	-	-	17,595,171.95	17,595,171.95

6. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	December 31, 2018	December 31, 2017
Cash	748,116.25	995,548.86
Deposits at banks with no fixed maturity date	11,127,079.68	8,554,262.36
Deposits at banks with fixed maturity date	-	30,000,000.00
Cash and cash equivalents	11,875,195.93	39,549,811.22

7. PREMIUM DUE AND UNCOLLECTED

As at December 31, 2018 and 2017, the Company has balances of premium due and uncollected which classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit : Baht)					
	December 31, 2018			December 31, 2017		
	Due from insured	Due from agents and brokers	Total	Due from insured	Due from agents and brokers	Total
Not yet due	1,491,626.66	21,414,787.92	22,906,414.58	1,804,956.26	17,277,307.33	19,082,263.59
Not over 30 days	65,382.38	3,900,605.76	3,965,988.14	71,439.05	2,823,183.34	2,894,622.39
Over 30 days to 60 days	-	1,859,639.42	1,859,639.42	-	1,371,995.12	1,371,995.12
Over 60 days to 90 days	-	252,937.58	252,937.58	217,699.33	1,562,504.47	1,780,203.80
Over 90 days	-	758,616.25	758,616.25	-	1,502,788.09	1,502,788.09
Total premium receivables	1,557,009.04	28,186,586.93	29,743,595.97	2,094,094.64	24,537,778.35	26,631,872.99
Less: Allowance for doubtful accounts	-	(758,616.25)	(758,616.25)	-	(1,502,788.09)	(1,502,788.09)
Total premium due and uncollected, net	1,557,009.04	27,427,970.68	28,984,979.72	2,094,094.64	23,034,990.26	25,129,084.90

8. REINSURANCE ASSETS

As at December 31, 2018 and 2017, the Company has reinsurance assets as below:

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
<u>Insurance recovered from reinsurers</u>		
Loss reserves	7,941,522.82	5,244,300.31
Unearned premium reserves (UPR)	17,079,211.77	18,071,801.48
Total	25,020,734.59	23,316,101.79

9. REINSURANCE RECEIVABLES

As at December 31, 2018 and 2017, the Company has reinsurance receivables as below:

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Amounts due from reinsurers	8,902,865.15	9,278,533.89
Total	8,902,865.15	9,278,533.89

As at December 31, 2018 and 2017, balances of amounts due from reinsurers are classified by aging as follows:

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Within credit terms	8,806,608.01	9,192,649.08
Not over 12 months	96,257.14	85,884.81
Total	8,902,865.15	9,278,533.89

10. INVESTMENT IN SECURITIES

10.1 Classified by type of investments

(Unit: Baht)

	31 December 2018		31 December 2017	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
Available-for-sale investments				
Equity securities	170,163,715.00	229,836,388.06	170,163,715.00	255,217,015.17
Total	170,163,715.00	229,836,388.06	170,163,715.00	255,217,015.17
Unrealized gain (loss)	59,672,673.06	-	85,053,300.17	-
Available-for-sale investments - net	229,836,388.06	229,836,388.06	255,217,015.17	255,217,015.17
Held-to-maturity investments				
Government and state enterprise securities	16,600,000.00		16,600,000.00	
Private sector debt securities	233,000,000.00		200,000,000.00	
Deposits at financial institutions which matured over 3 months	169,930,000.00		164,930,000.00	
Held-to-maturity investments - net	419,530,000.00		381,530,000.00	
General investments				
Equity securities	341,060.00		341,060.00	
General investments - net	341,060.00		341,060.00	
Investments in securities - net	649,707,448.06		637,088,075.17	

10. INVESTMENT IN SECURITIES (Cont.)

10.2 Period to maturity

(Unit : Baht)

	2018			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	16,600,000.00
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	233,000,000.00
Deposits at financial institutions which matured over 3 months	169,930,000.00	-	-	169,930,000.00
Total available-for-sale investments	221,930,000.00	115,600,000.00	82,000,000.00	419,530,000.00

(Unit : Baht)

	2017			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprise securities	1,600,000.00	10,000,000.00	5,000,000.00	16,600,000.00
Private sector debt securities	25,000,000.00	98,000,000.00	77,000,000.00	200,000,000.00
Deposits at financial institutions which matured over 3 months	164,930,000.00	-	-	164,930,000.00
Total available-for-sale investments	191,530,000.00	108,000,000.00	82,000,000.00	381,530,000.00

10.3 Investments subject to restriction

As at December 31, 2018 and 2017, the Company pledged bank deposit Baht 54.93 million as collateral as stated in note 35.

11. LOANS

As at December 31, 2018 and 2017, loans and accrued interest aged by principal and accrued interest are as follows:

		(Unit : Baht)					
		December 31, 2018					
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
Not yet due	8,173,894.91	-	373,657.73	-	8,547,552.64	-	8,547,552.64
Total	8,173,894.91	-	373,657.73	-	8,547,552.64	-	8,547,552.64
		December 31, 2017					
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
Not yet due	9,509,900.34	-	668,029.86	-	10,177,930.20	-	10,177,930.20
Total	9,509,900.34	-	668,029.86	-	10,177,930.20	-	10,177,930.20

11.1 The collateralized loans are loan facilities provided to employees as part of the credit welfare project for house with interest rate MLR – 1.5% and MOR - 2.0% per annum.

11.2 The collateralized loans are personal loans provided to employees as part of the benefit program with interest rate at MLR - 1.5% per annum and MOR per annum.

11.3 The collateralized loans are loan facilities provided to other person at interest rate MOR -1.5% per annum.

12. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	2018				
	Land	Building	Fixture and office equipment	Vehicle	Total
Cost :					
At December 31, 2017	41,549,000.00	80,536,138.70	53,972,158.10	14,608,961.54	190,666,258.34
Additions	-	-	194,530.84	-	194,530.84
Disposal	-	-	(49,689,395.18)	-	(49,689,395.18)
At December 31, 2018	41,549,000.00	80,536,138.70	4,477,293.76	14,608,961.54	141,171,394.00
Accumulated depreciation :					
At December 31, 2017	-	79,975,633.15	52,530,194.59	14,099,609.72	146,605,437.46
Depreciation for the year	-	78,685.63	543,726.42	179,099.62	801,511.67
Disposal	-	-	(49,689,295.18)	-	(49,689,295.18)
At December 31, 2018	-	80,054,318.78	3,384,625.83	14,278,709.34	97,717,653.95
Net book value :					
At December 31, 2017	41,549,000.00	560,505.55	1,441,963.51	509,351.82	44,060,820.88
At December 31, 2018	41,549,000.00	481,819.92	1,092,667.93	330,252.20	43,453,740.05
Depreciation for the year :					
At December 31, 2018					801,511.67

As at December 31, 2018 and 2017, the Company has furniture, fixtures and office equipment at cost before deducting accumulated depreciation amount of Baht 94.79 million and Baht 143.48 million, respectively which are fully depreciated and still used in its operation.

12. PROPERTY, PLANT AND EQUIPMENT (Cont.)

(Unit : Baht)

	2017				
	Land	Building	Fixture and office equipment	Vehicle	Total
Cost :					
At December 31, 2016	41,549,000.00	80,536,138.70	54,046,016.55	14,608,961.54	190,740,116.79
Additions	-	-	713,928.04	-	713,928.04
Disposal	-	-	(787,786.49)	-	(787,786.49)
At December 31, 2017	41,549,000.00	80,536,138.70	53,972,158.10	14,608,961.54	190,666,258.34
Accumulated depreciation :					
At December 31, 2016	-	78,223,277.04	52,701,174.94	13,920,510.12	144,844,962.10
Depreciation for the year	-	1,752,356.11	616,806.14	179,099.60	2,548,261.85
Disposal	-	-	(787,786.49)	-	(787,786.49)
At December 31, 2017	-	79,975,633.15	52,530,194.59	14,099,609.72	146,605,437.46
Net book value :					
At December 31, 2016	41,549,000.00	2,312,861.66	1,344,841.61	688,451.42	45,895,154.69
At December 31, 2017	41,549,000.00	560,505.55	1,441,963.51	509,351.82	44,060,820.88
Depreciation for the year :					
At December 31, 2017					2,548,261.85

13. INTANGIBLE ASSETS

	(Unit : Baht)
	<u>Computer software</u>
Cost:	
At December 31, 2016	1,941,571.03
Additions	<u>-</u>
At December 31, 2017	1,941,571.03
Additions	<u>-</u>
At December 31, 2018	<u>1,941,571.03</u>
Accumulated amortization	
At December 31, 2016	1,764,621.18
Amortization charge	<u>60,400.00</u>
At December 31, 2017	1,825,021.18
Amortization charge	<u>60,400.00</u>
At December 31, 2018	<u>1,885,421.18</u>
Net book value:	
At 31 December 2017	<u>116,549.85</u>
At 31 December 2018	<u>56,149.85</u>
Amortization for the year 2018	60,400.00
Amortization for the year 2017	60,400.00

14. DEFERRED TAX

14.1 As at December 31, 2018 and 2017, the component of deferred tax assets and liabilities consist of following items.

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Deferred tax assets		
Premium reserve	2,242,608.56	1,939,952.90
Loss reserves and outstanding claims	5,241,138.70	2,224,600.07
Loss reserves incurred but not reported (IBNR)	2,563,765.09	2,254,812.55
Allowance for doubtful accounts	151,723.24	300,557.61
Employee benefit obligation	1,753,275.20	1,905,808.00
Total	11,952,510.79	8,625,731.13
Deferred tax liabilities		
Unrealized gain from investment valuation – Available for sale	11,934,534.61	17,010,660.03
Total	11,934,534.61	17,010,660.03
Deferred tax assets (liabilities) - net	17,976.18	(8,384,928.90)

14.2 Income tax for the year ended December 31, 2018 and 2017, is summarized as follows:

	(Unit: Baht)	
	2018	2017
Current income tax:		
Income tax for the year	2,957,338.47	2,010,693.64
Deferred income tax:		
Deferred tax from temporary difference	(3,466,967.25)	(731,653.63)
Income tax presented in statement of comprehensive income	(509,628.78)	1,279,040.01

14. DEFERED TAX (Cont.)

14.3 The amount of income tax relating to each component of other comprehensive incomes for the year ended December 31, 2018 and 2017, are summarized as follows:

	(Unit : Baht)	
	2018	2017
Deferred tax relating to Remeasurements of post-employment benefit obligations for the year	(140,187.60)	(591,662.00)
Deferred tax relating to gain (loss) from investment valuation Available for sale	5,076,125.42	(2,620,774.02)
	<u>4,935,937.82</u>	<u>(3,212,436.02)</u>

14.4 Reconciliation amount between income tax expenses and multiplication of taxable profit and tax rate used for the year ended December 31, 2018 and 2017, are presented as follows:

	(Unit : Baht)	
	2018	2017
Profit (Loss) from accounting before income tax	<u>5,689,918.45</u>	<u>14,571,157.78</u>
Income tax rate	20%	20%
Profit (Loss) from accounting before income tax multiplied by income tax rate	1,137,983.69	2,914,231.56
Income tax adjusted of previous year		
The effect from changing income tax rate of deferred tax	(850,994.11)	-
The effect of income tax:		
Non taxable revenues and expenses	(929,313.83)	(2,012,337.01)
Undeductible expenses	<u>132,695.47</u>	<u>377,145.46</u>
Income tax presented in statement of comprehensive income	<u>(509,628.78)</u>	<u>1,279,040.01</u>

15. OTHER ASSETS

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Prepaid long-term commission	2,200,589.34	1,970,334.19
Loss recovery from counter parties	2,023,435.58	1,113,986.90
Other Receivables	1,111,112.49	1,930,111.29
Others	2,372,173.93	2,405,047.45
Total	7,707,311.34	7,419,479.83

16. INSURANCE CONTRACT LIABILITIES

	December 31, 2018		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Loss reserves and outstanding claims			
- Incurred and agreed claim reserves	40,886,963.54	(5,764,650.48)	35,122,313.06
- Incurred but not reported claim reserves	14,995,697.76	(2,176,872.34)	12,818,825.42
Premium liabilities - Unearned premium reserves	98,236,743.50	(17,079,211.77)	81,157,531.73
Total	154,119,404.80	(25,020,734.59)	129,098,670.21

	December 31, 2017		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Loss reserves and outstanding claims			
- Incurred and agreed claim reserves	21,085,971.15	(3,236,382.44)	17,849,588.71
- Incurred but not reported claim reserves	13,281,980.62	(2,007,917.87)	11,274,062.75
Premium liabilities - Unearned premium reserves	100,156,815.03	(18,071,801.48)	82,085,013.55
Total	134,524,766.80	(23,316,101.79)	111,208,665.01

16. INSURANCE CONTRACT LIABILITIES (Cont.)

Loss reserves and outstanding claims

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Beginning balances	34,367,951.77	37,526,442.62
Claim incurred in this period/year	76,285,073.68	53,045,524.67
Changes in claim reserves in previous period/year	(1,500,322.54)	4,622,190.92
Changes in claim reserves assumptions	1,713,717.14	(424,801.45)
Claim paid in this period/year	(54,983,758.75)	(60,401,404.99)
Ending balances	55,882,661.30	34,367,951.77

As at December 31, 2018, the Company had loss reserves and outstanding claims under reinsurance contracts of Baht 3.97 million (31 December 2017: Baht 5.39 million).

Unearned premium reserve

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Beginning balances	100,156,815.03	101,848,604.48
Premium written for the year	188,682,947.33	198,869,488.96
Premium earned for the current year	(190,603,018.86)	(200,561,278.41)
Ending balance	98,236,743.50	100,156,815.03

Unexpired risk reserve

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Balance as at January 1	29,433,219.54	29,553,385.41
Estimated claims for the year	61,738,451.72	58,076,652.72
Expired risk during the year	(56,012,768.55)	(58,196,818.59)
Ending balance	35,158,902.71	29,433,219.54

16. INSURANCE CONTRACT LIABILITIES (Cont.)

As at December 31, 2018, the Company has not provided for unexpired risk reserve for the amount of Baht 35.16 million (December 31, 2017, Baht 29.43 million) since unexpired risk reserve is lower than unearned premium reserve.

Gross claims table

							(Unit: Baht)
Accident year/Reporting year	2013	2014	2015	2016	2017	2018	Total
Claim estimates:							
- as at accident year	61,373,950	56,211,432	60,702,000	64,010,739	55,364,197	71,469,051	
- Next one year	66,758,016	54,771,859	58,031,013	63,261,824	55,203,840		
- Next two years	65,173,597	55,440,388	58,553,284	65,920,735			
- Next three years	65,949,961	55,785,856	57,884,918				
- Next four years	65,947,260	55,785,856					
- Next five years	65,939,260						
Cumulative claim estimates	65,939,260	55,785,856	57,884,918	65,920,735	55,203,840	71,469,051	372,203,660
Cumulative payments 2013 - 2018	65,939,260	55,785,856	57,884,918	65,061,127	48,291,462	29,649,215	322,611,838
Total	-	-	-	859,608	6,912,378	41,819,836	49,591,822
Claims before 2013							3,812,656
Others							2,478,183
Total gross loss reserves							55,882,661

Net claims table

							(Unit: Baht)
Accident year/Reporting year	2013	2014	2015	2016	2017	2018	Total
Claim estimates:							
- as at accident year	62,913,126	49,727,350	52,321,459	47,303,374	45,887,288	60,216,395	
- Next one year	58,991,867	40,798,794	49,355,510	46,158,395	46,222,054		
- Next two years	57,651,082	41,583,811	49,779,703	48,653,956			
- Next three years	58,197,568	41,922,646	49,830,805				
- Next four years	58,199,966	41,922,646					
- Next five years	58,194,688						
Cumulative claim estimates	58,194,688	41,922,646	49,830,805	48,653,956	46,222,054	60,216,395	305,040,544
Cumulative payments 2013 - 2018	58,194,688	41,922,646	49,830,805	47,868,306	40,350,395	25,940,790	264,107,630
Total	-	-	-	785,650	5,871,659	34,275,605	40,932,914
Claims before 2013							759,865
Others							6,248,359
Total net loss reserves							47,941,138

16. INSURANCE CONTRACT LIABILITIES (Cont.)

Key assumptions

Key assumptions used in the valuation of loss reserves arising from insurance contracts are as follows.

(a) The assumptions of in claim experiences.

For assessment, the Company applies 3 actuarial methods as follows:

- 1) Chain Ladder method is used for claims paid and incurred.
- 2) Bornhuetter-Ferguson or "BF" method is used for claims paid and incurred.
- 3) The Expected Loss Ratio or "ELR".

The Company usually uses the Chain Ladder method to estimate losses incurred, which is considered the best method while the BF and ELR will be applied to on a case by case basis where appropriate. Key assumption of both methods is Ultimate Loss Ratio. For selecting Ultimate Loss Ratio, the Company will consider information in the past including other factors that can reflect the appropriate level of liabilities of the Company at the end of the reporting periods such as changing in policy of insurance or changing coverage in insurance policy and soon.

(b) The assumption of the relevant expenses.

The estimation of unallocated loss adjustment expenses (ULAE).

In estimating ULAE, the Company uses the "Kittel's Refinement of the Classical Paid-to-Paid" method by reference to Conger and Nolibos on "Estimating ULAE Liabilities: Rediscovering and Expanding Kittel's Approach" in collecting the Company's internal expenses in order to analyze and estimate analytical expenses of claim department and unallocated loss adjustment expenses (ULAE). For this method, the estimation has been considered the ratio of ULAE to the average claims paid by considering to select such ratio from information in the past at least 3 years.

17. DUE TO REINSURERS

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Premium ceded payables	10,743,655.71	8,873,073.58
Amount withheld on reinsurance	9,134,313.89	8,722,098.37
Total reinsurance payables	19,877,969.60	17,595,171.95

18. BANK OVERDRAFTS

As at December 31, 2018 and 2017, the Company has credit facilities of bank overdrafts amounting to Baht 20.00 million with interest rate at MOR - 3 % guaranteed by fixed deposit as disclosed in note 35.

19. EMPLOYEE BENEFIT OBLIGATIONS

<u>Employee benefits expenses project as determined :</u>	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Current service cost	406,294.00	489,841.00
Interest cost	213,180.00	245,915.00
Remeasurements of post-employment benefit obligations for the year	(700,938.00)	(2,888,310.00)
Total expenses	(81,464.00)	(2,152,554.00)
<u>The statement of financial position obligation was determined as follows :</u>		
Present value of the defined benefit obligations	9,467,314.00	12,417,350.00
Unrecognized actuarial (gain) loss	(700,938.00)	(2,888,310.00)
Defined benefit obligation at end of year	8,766,376.00	9,529,040.00
<u>Movement in the present value of the defined benefit obligations :</u>		
Defined benefit obligations at January 1,	9,529,040.00	12,841,384.00
Current service cost	406,294.00	489,841.00
Interest cost	213,180.00	245,915.00
Less Benefits paid	(681,200.00)	(1,159,790.00)
Remeasurements of post-employment benefit obligations for the year	(700,938.00)	(2,888,310.00)
Defined benefit obligation at December 31,	8,766,376.00	9,529,040.00

19. EMPLOYEE BENEFIT OBLIGATIONS (Cont.)

Actuarial assumptions to use for calculation :

	2018	2017
	Percentage	Percentage
Retirement age	60 Years old	60 Years old
Discount Rate	2.50	2.29
Long term salary increase	2.00	2.50
Employees turn over	0.00–15.00	0.00 – 20.00
Mortality Rate	TMO2017	TMO2017

Remeasurements of post-employment benefit obligations recognised in other comprehensive income arising from:

Assumptions	(Unit : Baht)
	December 31, 2018
Experience Adjustments on Plan Liabilities	(715,462.00)
Change in Demographic Assumptions on Plan Liabilities	441,979.00
Change in Financial Assumptions on Plan Liabilities	(427,455.00)
Total	(700,938.00)

Sensitivity analysis :

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Defined benefit obligation at December 31, 2018	(Unit : Baht)	
	Increase	Decrease
Discount Rate (1.0% movement)	(570,215.00)	634,110.00
Long term salary increase (1.0% movement)	600,303.00	(551,671.00)
Employees turn over (10.0% movement)	(78,016.00)	79,931.00

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

As stated in note 3.18 to financial statements, the Company shall record the effects of new Labour Protection Act when it is announced in in the Government Gazette which may be effective in 2019. The Company expects that the additional employee benefits to be paid amount of Baht 3.22 Million is provided when the Act is effective.

20. OTHER LIABILITIES

	(Unit: Baht)	
	December 31, 2018	December 31, 2017
Accrued expense	7,284,172.22	7,087,560.38
Accrued commission	4,240,381.09	3,889,161.77
Others	4,620,550.67	6,242,461.48
Total	16,145,103.98	17,219,183.63

21. DIVIDEND PAYMENT

According to the resolution of annual general shareholders' meeting for the year 2017 held on April 26, 2018, The company passed resolution to pay dividend to the shareholders from result of its operation of the year 2017 at the rate Baht 1.00 per share for 12 million shares total amount of Baht 12 million. The company already paid dividend on May 25, 2018.

According to the resolution of annual general shareholders' meeting for the year 2016 held on April 26, 2017, The company passed resolution to pay dividend to the shareholders from result of its operation of the year 2016 at the rate Baht 1.50 per share for 12 million shares total amount of Baht 18 million. The company already paid dividend on May 26, 2017.

22. OPERATING EXPENSES

	(Unit: Baht)	
	For the year ended	
	December 31, 2018	December 31, 2017
Personal expenses which are not expenses for underwriting and claims	25,186,545.93	24,886,777.28
Premises and equipment expenses which is not expenses for underwriting	8,088,462.79	10,460,849.29
Taxes and duties	1,394,068.32	1,380,364.73
Bad debts and doubtful accounts	-	125,184.72
Directors' remuneration	1,295,000.00	1,625,000.00
Other operating expenses	7,333,196.66	7,968,873.32
Total operating expenses	43,297,273.70	46,447,049.34

23. EMPLOYEE BENEFIT EXPENSE

	(Unit : Baht)	
	For the year ended	
	December 31, 2018	December 31, 2017
Management		
Wages and salaries	11,249,040.00	10,274,516.00
Pension costs - defined contribution plans	195,432.00	169,278.00
Others	2,293,837.59	2,719,228.11
	<u>13,738,309.59</u>	<u>13,163,022.11</u>
Other employees		
Wages and salaries	20,025,599.00	20,069,616.00
Pension costs - defined contribution plans	263,083.06	264,191.07
Others	2,022,694.28	3,058,398.10
	<u>22,311,376.34</u>	<u>23,392,205.17</u>
Total	<u><u>36,049,685.93</u></u>	<u><u>36,555,227.28</u></u>
Employee benefit expenses has been allocated to:		
Other underwriting expenses	6,872,220.00	6,886,850.00
Insurance claim and loss adjustments	2,695,920.00	3,156,600.00
Operating expenses	26,481,545.93	26,511,777.28
Total	<u><u>36,049,685.93</u></u>	<u><u>36,555,227.28</u></u>

24. BENEFITS PAID TO DIRECTORS AND KEY MANAGEMENT

Directors' remuneration is benefit paid to the Company's directors in accordance with the Section 90 of the Public Company Limited Act B.E. 1992 excluded salaries and related benefits to be paid to executive directors.

Benefit expenses paid to chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels consist of salaries, bonus, retirement benefit and meeting allowance.

24. BENEFITS PAID TO DIRECTORS AND KEY MANAGEMENT (Cont.)

Directors' remuneration and management benefit expenses for the year ended December 31, 2018 and 2017, are presented as follows.

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Short-term benefits	13,350,549.59	12,770,529.11
Long-term benefits	387,760.00	392,493.00
Total	13,738,309.59	13,163,022.11

25. TAX AFFECT TO RELATE WITH EASH COMPONENT OF OTHER COMPREHENSIVE INCOME

	(Unit : Baht)		
	Amount before Tax	Benefit (Expense) Tax	Net amount from Tax
As at December 31, 2018			
Gains on changes in values of investments	(25,380,627.11)	5,076,125.42	(20,304,501.69)
Remeasurements of post-employment benefit obligations	700,938.00	(140,187.60)	560,750.40
Total	(24,679,689.11)	4,935,937.82	(19,743,751.29)
As at December 31, 2017			
Gains on changes in values of investments	13,103,870.14	(2,620,774.02)	10,483,096.12
Remeasurements of post-employment benefit obligations	2,958,310.00	(591,662.00)	2,366,648.00
Total	16,062,180.14	(3,212,436.02)	12,849,744.12

26. RISKS OF NON-LIFE INSURANCE BUSINESS

Insurance risk

Insurance risk refers to the risk of loss arising from unpredictability of frequency, severity and timing of damage that differ from the assumptions made in calculating premiums or reserves and in underwriting considerations as well as loss or damage arising from unusual external factors, particularly those caused by geographical changes, including social calamities. All such factors can do severe damage to life and property insured by the Company.

The risk factors that could negatively affect the operations include insurance claims as they represent a major expenditure uncontrollable by the Company. Another factor is the risk of unbalanced product mix resulting.

Systematic risk management is in place covering from the process of risk underwriting. It is our policy to insure against those perils with a low degree of risk through careful selection of prospective clients, property, types of business and exposure of risks to be accepted and by taking into account the area's vulnerability to natural disasters. These factors would be considered based on data and statistics collected before premiums are set appropriately according to the risk. The Company also mitigates insurance risk by transferring those large risks to financially sound domestic and overseas reinsurers under different forms of reinsurance contracts such as treaty reinsurance, facultative reinsurance and excess of loss reinsurance. Such arrangements enable the Company to minimize insurance risk and ensure a rigorous, systematic claims management process where claims are settled accurately according to actual loss.

Concentrations of insurance contract liabilities, segregated by insurance type, is tabled below.

(Unit: Baht)

	December 31, 2018			December 31, 2017		
	Outward					
	Gross premium	premium	Net	Gross Premium	Outward loss	Net
	reserves	reserves		reserves	reserves	
Fire	19,509,807.32	(4,164,394.06)	15,345,413.26	20,614,318.93	(5,514,619.86)	15,099,699.07
Marine and transportation	5,254,390.18	(2,358,975.39)	2,895,414.79	5,005,564.91	(2,292,028.39)	2,713,536.52
Motor	56,556,398.87	(2,755,436.47)	53,800,962.40	57,374,352.62	(2,712,513.00)	54,661,839.62
Personal accident	1,247,600.61	(264,215.22)	983,385.39	1,081,343.91	(84,664.51)	996,679.40
Miscellaneous	15,668,546.52	(7,536,190.63)	8,132,355.89	16,081,234.66	(7,467,975.72)	8,613,258.94
Total	98,236,743.50	(17,079,211.77)	81,157,531.73	100,156,815.03	(18,071,801.48)	82,085,013.55

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit: Baht)

	December 31, 2018			December 31, 2017		
	Gross	Outward loss	Net	Gross	Outward loss	Net
	loss reserves	reserves		loss reserves	reserves	
Fire	15,310,656.84	(4,740,720.70)	10,569,936.14	7,419,989.38	(1,829,114.41)	5,590,874.97
Marine and transportation	1,792,208.48	(339,504.35)	1,452,704.13	2,000,364.94	(1,751,341.14)	249,023.80
Motor	33,654,449.57	(812,018.01)	32,842,431.56	19,978,760.22	(656,764.16)	19,321,996.06
Personal accident	622,036.39	(46,360.71)	575,675.68	803,362.11	(56,710.29)	746,651.82
Miscellaneous	4,503,310.02	(2,002,919.05)	2,500,390.97	4,165,475.12	(950,370.31)	3,215,104.81
Total	55,882,661.30	(7,941,522.82)	47,941,138.48	34,367,951.77	(5,244,300.31)	29,123,651.46

The sensitivity test is the risk analysis of insurance contract liabilities that may be increased or decreased as a result of changes in assumptions used in calculation, which may impact on both gross and net loss reserves. The risk may be caused by the frequency of loss, value of loss and claim and loss adjustment expenses that are not as expected. The variables used for testing consist of the Ultimate Loss Ratio or "ULR" in the latest accident year and the Unallocated Loss Adjustment Expenses or "ULAE", and so on.

(Unit: Baht)

	Assumption change	December 31, 2018	
		provision for gross	provision for net
		loss reserves	loss reserves
Ultimate Loss Ratios	+1 %	2,036,492.07	1,674,003.51
	-1 %	(2,036,492.07)	(1,674,003.51)
ULAE Ratio	+1 %	331,820.16	331,820.16
	-1 %	(331,820.16)	(331,820.16)

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

Financial instruments and 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 due and uncollected, reinsurance assets, investments in securities, loans and insurance contract liabilities. The financial risks associated with these financial instruments and risk management policy is described below.

(a) Credit risk

Credit risk refers to the risk of loss if a counterparty fails to meet its obligations to the Company, or the possibility that a counterparty's credit rating is downgraded.

Significant risk factors facing the Company include failure by reinsurers to repay paid claims to the Company. This is because when underwriting large business, it is our policy to spread and place the risk under a reinsurance contract

Consideration is given to the credit rating and financial stability of overseas reinsurers. We also follow such ratings regularly to ensure up-to-the-minute information. With regard to domestic reinsurers, the Company has opted to consider those reinsurers [as per the capital adequacy report of the latest quarter before the date of assessment].

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate and the Company's cash flows will affect due to changes in market interest rate.

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit: Baht)

	December 31, 2018						
	Fixed interest rates			Floating	Non-		Effective
	Within1 year	1 - 5 years	Over 5 years	interest rate	Interest bearing	Total	interest rate
							(% per annum)
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	11,875,195.93	-	11,875,195.93	-
Premium receivables	-	-	-	-	28,984,979.72	28,984,979.72	-
Reinsurance assets – claim reserves refundable from reinsurers	-	-	-	-	7,941,522.82	7,941,522.82	-
Reinsurance receivables	-	-	-	-	8,902,865.15	8,902,865.15	-
Investment in securities							
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	-	-	16,600,000.00	0.00-5.00
Equity securities	-	-	-	-	229,836,388.06	229,836,388.06	-
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	-	-	233,000,000.00	1.97-4.95
Deposits at financial institutions which matured over 3 months	169,930,000.00	-	-	-	-	169,930,000.00	0.65-1.60
Loans	-	-	-	8,547,552.64	-	8,547,552.64	5.275-5.900
<u>Financial Liabilities</u>							
Insurance contract liabilities - claim reserves	-	-	-	-	55,882,661.30	55,882,661.30	-
Amounts due to reinsurances	-	-	-	-	19,877,969.60	19,877,969.60	-

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit: Baht)

	December 31, 2017						
	Fixed interest rates			Floating	Non-		Effective
	Within1 year	1 - 5 years	Over 5 years	interest rate	Interest bearing	Total	interest rate
							(% per annum)
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	39,549,811.22	-	39,549,811.22	-
Premium receivables	-	-	-	-	25,129,084.90	25,129,084.90	-
Reinsurance assets – claim reserves refundable from reinsurers	-	-	-	-	5,244,300.31	5,244,300.31	-
Reinsurance receivables	-	-	-	-	9,278,533.89	9,278,533.89	-
Investment in securities							
Government and state enterprise securities	1,600,000.00	10,000,000.00	5,000,000.00	-	-	16,600,000.00	0.00-5.00
Equity securities	-	-	-	-	255,558,075.17	255,558,075.17	-
Private sector debt securities	25,000,000.00	98,000,000.00	77,000,000.00	-	-	200,000,000.00	1.93-4.95
Deposits at financial institutions which matured over 3 months	164,930,000.00	-	-	-	-	164,930,000.00	0.65-1.80
Loans	-	-	-	10,177,930.20	-	10,177,930.20	5.275-5.900
<u>Financial Liabilities</u>							
Insurance contract liabilities - claim reserves	-	-	-	-	34,367,951.77	34,367,951.77	-
Amounts due to reinsurances	-	-	-	-	17,595,171.95	17,595,171.95	-

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(c) Liquidity risk

Liquidity risk refers to the risk of failure to meet liabilities or obligations as they fall due because of inability to realize assets or raise sufficient cash or because funds can be secured but at too high a cost to be acceptable.

The Company gives consideration to its liquidity in the securing of cash, the management of net cash flow and investment in securities and the raising of funds from liability and capital sources to match the claims already incurred and to be incurred. This enables us to be in a position to pay all claims promptly and easily and to recover the loss from reinsurers or to recover damages from the liable party.

As at December 31, 2018 and 2017, the periods to maturity of financial assets and liabilities are as follows:

(Unit: Baht)

	December 31, 2018					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<u>Financial Assets</u>						
Cash and cash equivalents	11,875,195.93	-	-	-	-	11,875,195.93
Premium receivables	-	28,984,979.72	-	-	-	28,984,979.72
Reinsurance assets – claim reserves refundable from reinsurers	-	7,637,691.61	-	-	-	7,637,691.61
Reinsurance receivables	-	8,902,865.15	-	-	-	8,902,865.15
Investment in securities	-	221,930,000.00	115,600,000.00	82,000,000.00	230,177,448.06	649,707,448.06
Loans	-	112,809.26	472,573.27	7,962,170.11	-	8,547,552.64
<u>Financial Liabilities</u>						
Insurance contract liabilities - claim reserves	-	51,191,021.96	4,691,639.34	-	-	55,882,661.30
Amounts due to reinsurances	-	19,877,969.60	-	-	-	19,877,969.60

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit: Baht)

	December 31, 2017					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<u>Financial Assets</u>						
Cash and cash equivalents	39,549,811.22	-	-	-	-	39,549,811.22
Premium receivables	-	25,129,084.90	-	-	-	25,129,084.90
Reinsurance assets – claim reserves refundable from reinsurers	-	4,329,147.91	913,909.08	1,243.32	-	5,244,300.31
Reinsurance receivables	-	9,278,533.89	-	-	-	9,278,533.89
Investment in securities	-	191,530,000.00	108,000,000.00	82,000,000.00	255,558,075.17	637,088,075.17
Loans	-	161,063.16	2,167,672.47	7,849,194.57	-	10,177,930.20
<u>Financial Liabilities</u>						
Insurance contract liabilities - claim reserves	-	30,407,234.62	3,955,588.24	5,128.91	-	34,367,951.77
Amounts due to reinsurances	-	17,595,171.95	-	-	-	17,595,171.95

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.

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique.

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

26. FINANCIAL INSTRUMENTS (Count.)

- (a) For financial assets and liabilities, which have short-term maturity periods or bear interest at rates close to market interest rates, including cash and cash equivalents, premium receivables, reinsurance assets, loans, and due to reinsurers, their fair values approximate their carrying values.
- (b) For investments in equity securities, their fair values are market prices except for investments in non-marketable equity securities, their fair values are calculated as follows:
 - The fair value of stocks are calculated based on generally accepted pricing models.
- (c) For investments in debts securities, the fair value is determined using the yield curve as announced by the Thai Bond Market Association.
- (d) For loan, the fair value is discounted cash flow method based

Foreign currency risk

The Company considers itself no significant foreign currency risk relating to receipts of insurance premiums and reinsurance with foreign insurance companies in foreign currencies which the Company does not buy any monetary instruments contract to prevent the foreign currency risk. However, Our management believes that the Company has not affect from the this mentioned risk as significant, due to the reinsurance traditional will be use the same foreign currencies as quote with the Insured.

27. CAPITAL FUND MANAGEMENT

The primary objectives of the Company's capital fund 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 (OIC).

28. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

	(Unit: Baht)	
	For the years ended December 31	
	2018	2017
Accumulated contribution at the beginning of the year	3,923,460.10	3,443,838.87
Contribution during the year	461,507.59	479,621.23
Accumulated contribution at the end of the year	4,384,967.69	3,923,460.10

29. ASSETS PLEDGED WITH REGISTRAR

As at December 31, 2018 and 2017, the Company used bank deposit amount of Baht 14 million as collateral with the registrar in accordance with the Section 19 of Insurance Act B.E. 2535. (1992).

30. ASSETS RESERVE PLEDGED WITH REGISTRAR

As at December 31, 2018 and 2017, bank deposit amount of Baht 20.00 million used as collateral against premium reserve with the registrar.

31. PROVIDENT FUND

The Company and its employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. (1987). The fund is contributed to by the Company and its employees at the equal monthly rate of 3 percent of the employees' basic salary, based on the length of employment and will be paid to the employees upon termination in accordance with the rules of the fund. The fund is managed by Kasikorn Management Company Limited. For year ended December 31, 2018 and 2017, the Company contributed to Fund approximately Baht 0.46 million and Baht 0.43 million respectively.

32. LEGAL RESERVE

Under the Section 116 of the Public Companies Act B.E. 2535 (1992), the Company is required to set aside a legal reserve at least 5% of annual net profit until the cumulative reserve reaches an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution.

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income)

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Profit for the year	6,199,547.23	13,292,117.77
Weighted average number of ordinary shares	12,000,000	12,000,000
Earnings per share	0.52	1.11

34. FINANCIAL INFORMATION BY SEGMENT

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 Company's operations involve the single business segment of non-life insurance, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographical area. And for the purposes of administration, The Company reported operating segments. Divided into categories of products include fire insurance, marine and transport insurance, personal accident insurance and miscellaneous insurance.

34. FINANCIAL INFORMATION BY SEGMENT (Count.)

The following tables present revenue and profit information regarding the Company's operating segments for the years ended December 31, 2018 and 2017, respectively.

	(Unit: Baht)					
	For year ended December 31, 2018					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<u>Underwriting income</u>						
Premium written	38,227,935.55	10,349,016.20	107,661,127.37	2,220,584.53	30,224,283.68	188,682,947.33
Less: Premium ceded	7,935,392.92	4,724,374.98	5,228,463.26	493,404.97	14,447,153.52	32,828,789.65
Net premium written	30,292,542.63	5,624,641.22	102,432,664.11	1,727,179.56	15,777,130.16	155,854,157.68
Add/Less: Unearned premium reserves	(245,714.19)	(181,878.27)	860,877.22	13,294.01	480,903.05	927,481.82
Earned premium written	30,046,828.44	5,442,762.95	103,293,541.33	1,740,473.57	16,258,033.21	156,781,639.50
Fee and commissions income	3,286,845.28	2,042,033.13	891,296.31	170,467.84	5,255,191.61	11,645,834.17
Total underwriting income	33,333,673.72	7,484,796.08	104,184,837.64	1,910,941.41	21,513,224.82	168,427,473.67
<u>Underwriting expenses</u>						
Claims and losses adjustment	8,508,402.01	1,307,520.33	51,404,674.76	1,095,674.96	1,516,919.07	63,833,191.13
Commissions and brokerages	8,986,346.15	1,476,088.81	13,970,911.29	571,510.00	4,762,341.45	29,767,197.70
Other underwriting expenses	4,570,011.58	2,454,209.70	45,413,113.23	6,678.75	1,099,876.40	53,543,889.66
Total underwriting expenses						
before operating expenses	22,064,759.74	5,237,818.84	110,788,699.28	1,673,863.71	7,379,136.92	147,144,278.49
Operating expenses						43,297,273.70
Total underwriting expenses						190,441,552.19
Loss from underwriting						(22,014,078.52)
Net investment income						20,194,324.80
Other income						7,509,672.17
Profit before income tax expenses						5,689,918.45
Income tax expenses						509,628.78
Profit for the year						6,199,547.23

34. FINANCIAL INFORMATION BY SEGMENT (Count.)

	(Unit: Baht)					
	For year ended December 31, 2017					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<u>Underwriting income</u>						
Premium written	43,044,032.37	9,521,765.99	113,461,995.98	1,885,260.18	30,956,434.44	198,869,488.96
Less: Premium ceded	11,350,466.43	4,196,279.12	5,425,133.99	168,825.54	15,772,726.17	36,913,431.25
Net premium written	31,693,565.94	5,325,486.87	108,036,861.99	1,716,434.64	15,183,708.27	161,956,057.71
Add/Less: Unearned premium reserves	6,884,407.11	(320,015.99)	(9,685,771.08)	(106,088.04)	(7,788,713.19)	(11,016,181.19)
Earned premium written	38,577,973.05	5,005,470.88	98,351,090.91	1,610,346.60	7,394,995.08	150,939,876.52
Fee and commissions income	4,612,949.20	1,671,307.67	924,416.57	59,398.93	5,079,678.93	12,347,751.30
Total underwriting income	<u>43,190,922.25</u>	<u>6,676,778.55</u>	<u>99,275,507.48</u>	<u>1,669,745.53</u>	<u>12,474,674.01</u>	<u>163,287,627.82</u>
<u>Underwriting expenses</u>						
Claims and losses adjustment	6,847,839.34	256,814.59	36,031,133.32	1,156,477.68	2,251,064.59	46,543,329.52
Commissions and brokerages	9,914,444.69	1,341,396.53	14,796,219.32	488,515.62	5,038,815.39	31,579,391.55
Other underwriting expenses	4,576,918.29	2,436,805.70	46,896,810.99	5,418.56	1,202,596.52	55,118,550.06
Total underwriting expenses						
before operating expenses	<u>21,339,202.32</u>	<u>4,035,016.82</u>	<u>97,724,163.63</u>	<u>1,650,411.86</u>	<u>8,492,476.50</u>	133,241,271.13
Operating expenses						46,447,049.34
Total underwriting expenses						<u>179,688,320.47</u>
Loss from underwriting						(16,400,692.65)
Net investment income						20,769,465.44
Other income						10,202,384.99
Profit before income tax expenses						14,571,157.78
Income tax expenses						(1,279,040.01)
Profit for the year						<u>13,292,117.77</u>

34. FINANCIAL INFORMATION BY SEGMENT (Count.)

The following table presents segment assets and liabilities of the Company's operating segments as at December 31, 2018 and 2017, are as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Unallocated assets	Total
Assets							
As at December 31, 2018	22,731,019.21	5,116,215.01	22,909,250.92	954,663.71	16,879,385.78	730,914,989.89	799,505,524.52
As at December 31, 2017	22,789,836.06	6,713,800.00	17,068,543.12	700,288.66	15,389,771.81	744,817,959.97	807,480,199.62
Liabilities							
As at December 31, 2018	58,897,300.94	9,320,569.25	96,541,108.47	2,075,048.71	22,598,113.26	33,566,354.06	222,998,494.69
As at December 31, 2017	52,359,856.59	9,126,180.11	79,703,763.01	2,033,861.14	22,185,603.07	40,019,701.81	205,428,965.73

Mayor customers

For the years 2018 and 2017, the Company has no major policyholder with revenue of 10 percent or more of the Company's gross premium.

35. RESTRICTED ASSETS WITH COMMITMENT

As at December 31, 2018 and 2017, the Company pledged bank deposit of Baht 54.93 million as collaterals follows:

(Unit: Baht)

	December 31, 2018	December 31, 2017
Bank deposit as collateral for :		
Bank overdraft	20,000,000.00	20,000,000.00
Assets pledged with registrar	14,000,000.00	14,000,000.00
Assets reserve pledged with registrar	20,000,000.00	20,000,000.00
Credit card usage	500,000.00	500,000.00
Electricity usage	430,000.00	430,000.00
Total	54,930,000.00	54,930,000.00

36. CONTINGENT LIABILITIES AND COMMITMENT

Litigation

As at December 31, 2018 and 2017, the Company was sued from act as insurer with the prosecution value of Baht 0.65 million and Baht 3.51 million, respectively. However, the Company's contingent liabilities from prosecution cases in the value not more than the policy custody amount of Baht 0.65 million and Baht 2.65 million, respectively. Those prosecution cases have been incompletely considered and the Company expects to win the mostly cases. Nevertheless, the Company recorded the provision for contingent loss amount of Baht 0.64 million and Baht 2.56 million respectively in the financial statements.

Guarantees

As at December 31, 2018 and 2017, the Company has the unused letter of guarantee issued by bank in the name of the Company for the amount of Baht 0.93 million relating to guarantee for electricity usage.

Operating lease commitments

As at December 31, 2018 and 2017, the Company has commitments to pay under the rental and service agreement as follows:

	<i>(Unit : Baht)</i>	
	December 31, 2018	December 31, 2017
Due within 1 year	2,464,236.00	2,267,728.00
Total	2,464,236.00	2,267,728.00

37. EVENTS AFTER THE REPORTING PERIOD

According to the Board of Director meeting held on February 25, 2019, the Company passes resolution to pay dividend to shareholders from, operating performance of the year 2018 at the rate Baht 0.5 per share total amount of Baht 6 million.

38. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved to be issued by authorized directors on February 25, 2019.