###### **The Navakij Insurance Public Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2019**

**1. General information**

The Navakij Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the non-life insurance and has 25 branches located in provinces. The registered office of the Company, which is the head office, is at 100/47-55, and 90/3-6, North Sathorn Road, Silom, Bangrak, Bangkok.

**2. Basis for preparation of the financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016, which became effective as from 1 January 2016 onwards.

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

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 Thai language financial statements.

**2.1 Financial statements in which the equity method is applied**

The Company prepares the financial statements, in which equity method is applied, by presented investment in associates under the equity method.

**2.2 Separate financial statements**

The separate financial statements have been prepared, which presented investments in associates under the cost method.

**3. New financial reporting standards**

**3.1 Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal year beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

|  |  |
| --- | --- |
| TAS 11 (revised 2017) | Construction contracts |
| TAS 18 (revised 2017) | Revenue |
| TSIC 31 (revised 2017) | Revenue - Barter Transactions Involving Advertising Services |
| 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 |

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company’s financial statements.

**TFRS 4 (revised 2018) Insurance contracts**

This standard provides an additional option to insurers that meet certain criteria stipulated in the standard, whereby they can be temporarily exempted from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have any significant impact on the Company’s financial statements.

**3.2 Financial reporting standards that will become effective for fiscal year beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards, interpretations and accounting guidance, which are effective for fiscal year beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

**Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

|  |  |
| --- | --- |
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments |

Accounting standard:

|  |  |
| --- | --- |
| TAS 32 | Financial Instruments: Presentation |

Financial Reporting Standard Interpretations:

|  |  |
| --- | --- |
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company’s business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

**Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business**

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in TFRS 4 to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting period beginning on or after 1 January 2020, and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead.

This accounting guidance has some differences from TFRS 9, with the significant differences being as described below.

* Classification and measurement of financial assets: These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and loans and receivables, with no requirement to take into account the assessment of the Company’s business model and the characteristics of the contractual cash flows.
* Loss on impairment, gain or loss on derecognition, and gain and loss on fair value hedges for available-for-sale equity securities items are to be recognised in profit or loss.
* The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.

In addition, the accounting guidance has some differences from TFRS 7 with respect to disclosures.

The Company’s management has decided to adopt Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business after deciding that the Company meets the criteria stipulated in TFRS 4 Insurance contracts, making it eligible to adopt the Thai Accounting Guidance, and that adopting this Thai Accounting Guidance is more appropriate in the current situation.

The Company’s management expects the adoption of this Thai Accounting Guidance to result in the financial statement in important matters as following.

- Classification and measurement of investments in equity instruments of non-listed companies - The Company is to classify the investments as available-for-sale investment and to measure the investment at fair value through other comprehensive income.

- Recognition of credit losses - The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred.

The management of the Company is currently evaluating the impact of this Thai Accounting Guidance on the financial statements in the year when it is adopted.

**TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Company plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020 (if any), and the comparative information was not restated.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when they are adopted.

**4. Significant accounting policies**

**4.1 Revenue recognition**

(a) Gross premium written

Gross premium written consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policyholders.

Direct premium is recognised as income on the date the insurance policy comes into effect at the amount specify in the policies.

Reinsurance premium is recognised as income on the date the insurance policy comes into effect, or when the reinsurer places the statement of accounts with the Company.

(b) Fee and commission income

Fee and commission income from ceded premium are recognised as income when incurred.

(c) Investment income

*Interest income and dividends on investment*

Interest income is recognised as revenue on an accrual basis based on the effective interest rate. Dividends are recognised as revenue when the right to receive the dividends is established.

*Interest income on loan*

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

(d) Profit (loss) on investment

Profit (loss) on investment is recognised as revenue or expense on the transaction date.

**4.2 Expenses recognition**

(a) Premiums ceded to reinsurer

Premiums ceded to reinsurer is recognised as expenses when the insurance risk is transferred to another insurer at amount per policy.

(b) Claim and loss adjustment expense

Claim and loss adjustment expense consist of claim and loss adjustment expenses of direct insurance and reinsurance of both reported and not reported, and include the amounts of claim, related expenses, and claim adjustments of current and prior period incurred during the year, less residual value and other recoveries (if any), and claim recovery from reinsurers.

Claims recovery from reinsurer is recognised when claim and loss adjustment expenses are recorded as the condition in the relevant reinsurance contract.

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

Claim and loss adjustment expenses of reinsurance are recognised when the reinsurer places the loss advice with the Company.

(c) Commission and brokerage expenses

Commission and brokerage expenses are expended when incurred.

(d) Other underwriting expenses

Other underwriting expenses are other insurance expenses for both direct and indirect expenses, including contributions, which are recognised as expenses on accrual basis.

(e) Operating expenses

Operating expenses are operating expenses, not related to underwriting and claim, which are recognised as expenses on accrual basis.

**4.3 Product classification**

The Company classified insurance and reinsurance contracts based on the nature of the insurance contract. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. To determine whether a significant insurance risk has been accepted, the insurer compares the benefits payable after an insured event with the benefits payable if the insured event did not occur. If the criteria are not met, the Company classifies the insurance contract as an investment contract. Investment contracts have the legal form of insurance contracts and transfer financial risk to the insurer, but not significant insurance risk. Financial risks are specified as interest rate risk, exchange rate risk, or price risk.

The Company classifies contracts based on assessment of the significance of the insurance risk at 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. A contract classified as an investment contract at inception can be reclassified as an insurance contract after inception if the insurance risk becomes significant.

**4.4 Cash and cash equivalents**

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

**4.5 Premium receivables and allowance for doubtful accounts**

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

Increase (decrease) in allowance for doubtful accounts is recorded as expenses during the year.

**4.6 Reinsurance assets**

Reinsurance assets consist of insurance reserve refundable from reinsurers which is estimated based on the related reinsurance contract of loss reserves and outstanding claim in accordance with the law regarding insurance reserve calculation, and unearned premium reserves.

The Company set up an allowance for doubtful accounts of reinsurance assets when had indicator for impairment, based on losses that may be incurred due to uncollectible, taking into account collection experience, aged of balance, and the status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in allowance for doubtful accounts is recorded as expenses during the year.

**4.7 Reinsurance receivables and due to reinsurers**

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

Amounts due from reinsurers consist of inward premium receivable, accrued fee and commission income,claim and various other items receivable from reinsurers, less allowance for doubtful accounts. The Company set up an allowance for doubtful accounts for loss 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) Due to reinsurers are stated at the outstanding balance of amount due to reinsurers and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums, and other items payable to reinsurers, excluding loss reserve from reinsurance.

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

(1) The Company has a legal right to offset amounts presented in the statements of financial position, and

(2) The Company intends to receive or pay the net amount recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

**4.8 Investments in securities**

Investments in trading securities are stated at fair value. Changes in the fair value of these investments are recorded in statement of income. Investments are classified as investments in trading securities if the Company intends to sell them in the near future.

Investments in available-for-sale securities are stated at fair value. Change in the fair value of these securities are recorded in statements of comprehensive income, and will be recorded in the statements of income when the securities are sold.

Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equities securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment (if any).

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

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the statements of income.

Loss on impairment of investments (if any) is recorded as an expenses in the statement of income.

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

**4.9 Loans and allowance for doubtful accounts**

Loans are stated at net realisable value. Allowance for doubtful accounts is provided for the estimated loss that may be incurred in collection of loans based on an evaluation of the current status of the debtors taking into consideration the recovery risk and the value of collateral. Increase (decrease) in allowance for doubtful accounts is recognised as expenses in statements of income.

**4.10 Investments in associates**

Investments in associates, as presented in the financial statements in which the equity method is applied, are recorded initially at cost and are subsequently adjusted to reflect the proportionate share of the associates’s net income or loss and deducted by dividend income.

Investments in associates, as presented in the separate financial statements, are stated at cost net of allowance for impairment (if any). Loss on impairment is recorded as an expense in the statement of income.

**4.11 Property, buildings and equipment /Depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives.

|  |  |  |
| --- | --- | --- |
| Buildings | - | 20, 40 years |
| Condominium units | - | 20, 40 years |
| Buildings improvement | - | 5, 10, 20 years |
| Office furniture, fixture and equipment | - | 5 years |
| Motor vehicles | - | 5 years |

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

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

**4.12 Intangible assets and amortisation**

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss (if any).

Intangible assets with finite life is amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to statements of income.

The useful life of intangible assets with finite useful life which is computer software is 3, 5 and 10 years.

**4.13 Impairment of assets**

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

An impairment loss is recognised in statements of income.

In the assessment of asset impairment if there is any indication that previously recognised impairment loss may no longer exist or may have decreased, the Company estimates the asset’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The increased in carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. Such reversal is recognised immediately in statements of income.

**4.14 Insurance contract liabilities**

Insurance contract liabilities consist of claim reserve and outstanding claims and premium reserves.

(a) Claim reserve and outstanding claims

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

Outstanding claim provision are calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the end of the reporting periods for both reported and not reported losses including loss adjustment expense, after deducting salvage values and other recoverable values. The different of the calculated outstanding claim provision which are higher than the loss reserve that recognised into financial statement, are recognised as reserves for claims incurred but not yet reported (IBNR).

(b) Premium reserves

Premium reserves consist of unearned premium reserve and unexpired risk reserve.

1. Unearned premium reserve

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

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

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as direct insurance, and recognised for the policy that transfer insurance risk to reinsurer.

The increase or decrease in unearned premium reserves from prior year is to be recognised in statement of income

1. Unexpired risk reserve

Unexpired risk reserve is the reserve for the claims and related expenses that may be incurred in respect of in-force policies. Unexpired risk 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.

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

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**4.15 Employee benefits**

(a) Short-term employee benefits

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

1. Post-employment benefits

**Defined contribution plans**

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund’s assets are held in a separate trust fund and the Company’s contributions are recognised as expenses when incurred.

**Defined benefit plans**

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

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

Actuarial gain and loss arising from post-employment benefits are recognised immediately in other comprehensive income.

**4.16 Income tax**

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

**Current tax**

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

**Deferred tax**

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

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

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

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

**4.17 Related party transactions**

Related parties comprise individuals or enterprises 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, individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company’s operations.

**4.18 Long-term lease**

Leases of premises or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the lease assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to statements of income over the lease period. The premises or equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in statements of income on a straight-line basis over the lease term.

**4.19 Foreign currencies**

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

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

Gain and loss on exchange are included in determining income.

**4.20 Provisions**

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

**4.21 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

**5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with Thai 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:

**5.1 Allowance for doubtful accounts on receivables/ loans/ premium receivables/ amounts due from reinsurers**

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

**5.2 Impairment of investments in securities**

The Company treats investments as impaired when management considers that such investments has an indication of impairments. The determination of indication of investments requires judgement of the management.

**5.3 Land, buildings and equipment/ Depreciation**

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

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

**5.4 Intangible assets and amortisation**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

**5.5 Deferred tax assets**

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

**5.6 Loss reserves and outstanding claims**

At the end of each reporting period, the Company has to estimate loss reserves and outstanding claims taking into account two factors. These are claims incurred and reported, and the claims incurred but not yet reported (IBNR). The ultimate loss of outstanding claims is established using a range of standard actuarial claims projection techniques.

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

**5.7 Unexpired risk reserve**

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

**5.8 Post-employment benefits under defined benefit plans**

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

**5.9 Leases**

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

**5.10 Litigation**

The Company has contingent liabilities as a result of litigation. The Company’s management has used judgement 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.

**5.11 Recognition and derecognition of assets and liabilities**

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

**5.12 Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

**6. Cash and cash equivalents**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Cash on hand | 312,000 | 312,000 |
| Deposits at banks with no fixed maturity date | 139,334,681 | 119,131,830 |
| Cash and cash equivalents | 139,646,681 | 119,443,830 |

As at 31 December 2019, bank deposits in saving and current accounts carried interest between 0.13 and 1.30 percent per annum (2018: between 0.13 and 1.75 percent per annum).

**7. Premium receivables**

As at 31 December 2019 and 2018, the balances of premium receivables from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Not yet due | 391,625,782 | 365,126,489 |
| Not over 30 days | 47,929,031 | 54,626,429 |
| Over 31 days to 60 days | 13,363,642 | 11,265,304 |
| Over 61 days to 90 days | 3,817,421 | 2,685,869 |
| Over 91 days to 1 year | 4,874,366 | 8,346,282 |
| Over 1 year | 4,215,739 | 4,478,688 |
| Total premium receivables | 465,825,981 | 446,529,061 |
| Less: Allowance for doubtful accounts | (5,637,148) | (5,236,870) |
| Total premium receivables, net | 460,188,833 | 441,292,191 |

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

**8. Reinsurance assets**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Insurance reserve refundable from reinsurers |  |  |
| Claims reserve | 298,792,366 | 113,339,539 |
| Unearned premium reserve | 360,823,804 | 338,579,409 |
| Reinsurance assets | 659,616,170 | 451,918,948 |

**9. Reinsurance receivables**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Amounts deposit on reinsurance | 59,817 | 28,003 |
| Amounts due from reinsurers | 532,672,026 | 579,090,994 |
| Total | 532,731,843 | 579,118,997 |

As at 31 December 2019 and 2018, the balances of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Not yet due | 424,238,134 | 404,581,921 |
| Not over 1 year | 106,220,217 | 173,087,457 |
| Over 1 year to 2 years | 1,704,343 | 1,290,503 |
| Over 2 years | 509,332 | 131,113 |
| Total amounts due from reinsurers | 532,672,026 | 579,090,994 |

**10. Investments in securities**

**10.1 Classified by type of investments**

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | |
|  | 2019 | | 2018 | |
|  | Cost/ |  | Cost/ |  |
|  | Amortised cost | Fair value | Amortised cost | Fair value |
| **Trading investments** |  |  |  |  |
| Government and state enterprise securities | 5,440,000 | 5,440,000 | - | - |
| Equity securities | 607,604,528 | 604,002,767 | - | - |
| Total | 613,044,528 | 609,442,767 | - | - |
| Less: Unrealised loss | (3,601,761) |  | - |  |
| **Total trading investments** | 609,442,767 |  | - |  |
| **Available-for-sale investments** |  |  |  |  |
| Government and state enterprise securities | 679,590,742 | 677,750,938 | 423,921,108 | 414,038,221 |
| Private debt securities | 675,238,297 | 679,475,371 | 724,356,810 | 724,147,933 |
| Equity securities | 493,485,021 | 440,410,776 | 1,016,129,394 | 950,531,873 |
| Total | 1,848,314,060 | 1,797,637,085 | 2,164,407,312 | 2,088,718,027 |
| Less: Unrealised loss | (35,323,751) |  | (19,747,061) |  |
| Less: Allowance for impairment | (15,353,224) |  | (55,942,224) |  |
| **Total available-for-sale investments** | 1,797,637,085 |  | 2,088,718,027 |  |
| **Held-to-maturity investments** |  |  |  |  |
| Government and state enterprise securities | 10,000,000 |  | 10,000,000 |  |
| Deposits and certificate of deposits at financial institutions which matured over 3 months | 485,000,000 |  | 580,000,000 |  |
| **Total held-to-maturity investments** | 495,000,000 |  | 590,000,000 |  |
| **Other investments** |  |  |  |  |
| Equity securities | 144,673,295 |  | 144,673,295 |  |
| Less: Allowance for impairment | (2,567,500) |  | (2,567,500) |  |
| **Total other investments** | 142,105,795 |  | 142,105,795 |  |
|  |  |  |  |  |
| **Total investments in securities** | 3,044,185,647 |  | 2,820,823,822 |  |

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 2019 | | 2018 | |
|  | Cost/ |  | Cost/ |  |
|  | Amortised cost | Fair value | Amortised cost | Fair value |
| **Trading investments** |  |  |  |  |
| Government and state enterprise securities | 5,440,000 | 5,440,000 | - | - |
| Equity securities | 607,604,528 | 604,002,767 | - | - |
| Total | 613,044,528 | 609,442,767 | - | - |
| Less: Unrealised loss | (3,601,761) |  | - |  |
| **Total trading investments** | 609,442,767 |  | - |  |
| **Available-for-sale investments** |  |  |  |  |
| Government and state enterprise securities | 679,590,742 | 677,750,938 | 423,921,108 | 414,038,221 |
| Private debt securities | 675,238,297 | 679,475,371 | 724,356,810 | 724,147,933 |
| Equity securities | 493,485,021 | 440,410,776 | 1,016,129,394 | 950,531,873 |
| Total | 1,848,314,060 | 1,797,637,085 | 2,164,407,312 | 2,088,718,027 |
| Less: Unrealised loss | (35,323,751) |  | (19,747,061) |  |
| Less: Allowance for impairment | (15,353,224) |  | (55,942,224) |  |
| **Total available-for-sale investments** | 1,797,637,085 |  | 2,088,718,027 |  |
| **Held-to-maturity investments** |  |  |  |  |
| Government and state enterprise securities | 10,000,000 |  | 10,000,000 |  |
| Deposits and certificate of deposits at financial institutions which matured over 3 months | 485,000,000 |  | 580,000,000 |  |
| **Total held-to-maturity investments** | 495,000,000 |  | 590,000,000 |  |
| **Other investments** |  |  |  |  |
| Equity securities | 89,448,700 |  | 89,448,700 |  |
| Less: Allowance for impairment | (2,567,500) |  | (2,567,500) |  |
| **Total other investments** | 86,881,200 |  | 86,881,200 |  |
|  |  |  |  |  |
| **Total investments in securities** | 2,988,961,052 |  | 2,765,599,227 |  |

As at 31 December 2019 and 2018, equity securities in other investments caption included investments in a foreign company of USD 1.1 million, or Baht 37.2 million.

**10.2 Classified by remaining period of debt securities**

Investments in debt securities as at 31 December 2019 and 2018 has period to maturity counting from the year end date as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | | | | | |
|  | 2019 | | | 2018 | | |
|  | Period to maturity | |  | Period to maturity | |  |
|  | 1 year | 1 - 5 years | Total | 1 year | 1 - 5 years | Total |
| **Available-for-sale investments** |  |  |  |  |  |  |
| Government and state enterprise securities | 625,675,716 | 35,000,000 | 660,675,716 | 370,393,668 | 25,235,662 | 395,629,330 |
| Private enterprise securities | 405,238,297 | 270,000,000 | 675,238,297 | 205,225,360 | 519,131,450 | 724,356,810 |
| Total | 1,030,914,013 | 305,000,000 | 1,335,914,013 | 575,619,028 | 544,367,112 | 1,119,986,140 |
| Add (less): Unrealised gain (loss) | 2,164,491 | 3,172,244 | 5,336,735 | 268,070 | (293,906) | (25,836) |
| **Total available-for-sale investments** | 1,033,078,504 | 308,172,244 | 1,341,250,748 | 575,887,098 | 544,073,206 | 1,119,960,304 |
| **Held-to-maturity investments** |  |  |  |  |  |  |
| Government and state enterprise securities | 10,000,000 | - | 10,000,000 | - | 10,000,000 | 10,000,000 |
| Deposits and certificate of deposits at financial institutions which matured over 3 months | 485,000,000 | - | 485,000,000 | 530,000,000 | 50,000,000 | 580,000,000 |
| **Total held-to-maturity investments** | 495,000,000 | - | 495,000,000 | 530,000,000 | 60,000,000 | 590,000,000 |

**10.3 Other components of equity - surplus (deficit) on changes in value of available-for-sale investments**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Balance - beginning of the year | (15,797,649) | 85,677,135 |
| Changes during the year |  |  |
| Unrealised gain (loss) during the year | 67,762,069 | (115,419,232) |
| Realised gain that included in statement of income (included gain on reclassification type of investments) | (83,338,760) | (11,424,248) |
|  | (15,576,691) | (126,843,480) |
| Relating income tax | 3,115,338 | 25,368,696 |
| Net comprehensive income for the year (loss) | (12,461,353) | (101,474,784) |
| Balance - end of the year | (28,259,002) | (15,797,649) |

During the year, the Company considered and transferred a part of its investments in company, listed on the Stock Exchange of Thailand, from “Available-for-sale investments” to “Trading investments” due to the change in its investment policy in respond to the Company’s investment situation and fluctuation of the share price in the stock market. The Company transferred available-for-sale investments amounting to Baht 614.8 million to trading investments. The differences between cost and fair value as at the transfer date amounting to Baht 60.4 million were recognised as a gain from reclassification of investments in statements of income for the year ended 31 December 2019.

**10.4 Investments subject to restriction**

As at 31 December 2019 and 2018, the Company placed some investments as a security with the Registrar and pledged some investments as bail bond in cases where insured drivers have been charged with criminal offence as described in Note 30 and 31 to the financial statements.

**10.5 Investment income, net**

During the years ended 31 December 2019 and 2018, the Company has investment income as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Interest income from debt securities | 35,824,073 | 31,691,773 |
| Dividends received from equity securities | 58,319,027 | 53,118,666 |
| Investment income | 94,143,100 | 84,810,439 |

**11. Loans**

As at 31 December 2019 and 2018, the balances of loans are aged by principal as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | | | 2018 | | |
| Outstanding year | Mortgage loans | Other loans | Total | Mortgage loans | Other loans | Total |
| Not yet due | 209,950 | 739,896 | 949,846 | 247,337 | 344,739 | 592,076 |
| Total loans | 209,950 | 739,896 | 949,846 | 247,337 | 344,739 | 592,076 |

These are loans provided to employees in accordance with the employee welfare scheme, with a credit facility not to exceed 5 times employee’s base salary with a limit of Baht 50,000 for loans secured by personal guarantees, and a credit facility not to exceed 80% of the appraised value of collateral for secured loans. Interest on these loans is charged at rates of 7.0% and 6.5% per annum, respectively.

**12. Investments in associates**

**12.1 Details of associates**

As at 31 December 2019 and 2018, the Company has investments in TKI General Insurance Company Limited and TKI Life Insurance Company Limited, which are incorporated in Laos, as detailed below:

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Nature of |  | | Financial statements in which the equity method is applied | | Separate financial statements | |
| Company’s name | business | Shareholding percentage | | Book value | | Cost/Book value | |
|  |  | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
|  |  | (%) | (%) |  |  |  |  |
| TKI General Insurance Company Limited | Non-life insurance | 32.50 | 32.50 | 13,392,311 | 16,364,725 | 21,628,040 | 21,628,040 |
| TKI Life Insurance Company Limited | Life insurance | 32.50 | 32.50 | 13,624,528 | 16,102,054 | 21,628,039 | 21,628,039 |
|  |  |  |  | 27,016,839 | 32,466,779 | 43,256,079 | 43,256,079 |

**12.2 Financial information of associates**

**Summarised information about financial position**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | 2019 | | 2018 | |
|  | TKI General Insurance Company Limited | TKI Life Insurance Company Limited | TKI General Insurance Company Limited | TKI Life Insurance Company Limited |
| Total assets | 53,516,674 | 44,067,450 | 58,747,967 | 50,540,877 |
| Total liabilities | (12,309,563) | (2,145,826) | (8,394,968) | (996,094) |
| Net assets | 41,207,111 | 41,921,624 | 50,352,999 | 49,544,783 |
| Shareholding percentage (%) | 32.50 | 32.50 | 32.50 | 32.50 |
| Book value of the associates based on equity method | 13,392,311 | 13,624,528 | 16,364,725 | 16,102,054 |

**Summarised information of comprehensive income**

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the years ended 31 December | | | |
|  | 2019 | | 2018 | |
|  | TKI General Insurance Company Limited | TKI Life Insurance Company Limited | TKI General Insurance Company Limited | TKI Life Insurance Company Limited |
| Revenues | 7,064,713 | 7,344,527 | 4,481,638 | 3,951,732 |
|  |  |  |  |  |
| Loss for the year | (3,977,962) | (2,226,534) | (5,616,636) | (5,417,607) |
| Other comprehensive income - exchange differences on translation of financial statements in foreign currency | (5,167,926) | (5,396,625) | (1,493,268) | (1,467,623) |
| Total comprehensive income (loss) | (9,145,888) | (7,623,159) | (7,109,904) | (6,885,230) |

The financial information of associated companies as the above tables were prepared by the management of such company.

**12.3 Shares of loss from investments in associated companies and dividend received**

During the years ended 31 December 2019 and 2018, the Company recognised its share of loss from investments in associated companies in the financial statements, in which the equity method is applied, and recognised dividend income in the separate financial statements as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | Separate financial statements | |
| Associates | Share of loss from profit and loss | | Exchange differences on translation from other comprehensive income | | Dividend received | |
|  | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| TKI General Insurance Company Limited | (1,292,838) | (1,825,407) | (1,679,576) | (485,312) | - | - |
| TKI Life Insurance Company Limited | (723,623) | (1,760,722) | (1,753,903) | (476,978) | - | - |
|  | (2,016,461) | (3,586,129) | (3,433,479) | (962,290) | - | - |

**13. Property, building and equipment**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | (Unit: Baht) |
|  |  |  |  |  | Furniture, |  |  |  |
|  |  |  |  | Building | fixtures and | Motor | Assets under |  |
|  | Land | Buildings | Condominium | improvements | equipment | vehicles | construction | Total |
| **Cost** |  |  |  |  |  |  |  |  |
| 1 January 2018 | 5,385,371 | 24,521,452 | 270,282,501 | 121,073,995 | 114,009,470 | 63,588,668 | 425,000 | 599,286,457 |
| Additions | - | - | - | - | 6,322,771 | 8,994,785 | 1,218,765 | 16,536,321 |
| Disposals | - | - | - | (1,163,264) | (1,216,596) | (6,189,252) | - | (8,569,112) |
| Transfers in (out) | - | - | - | 478,400 | 850,000 | - | (1,328,400) | - |
| 31 December 2018 | 5,385,371 | 24,521,452 | 270,282,501 | 120,389,131 | 119,965,645 | 66,394,201 | 315,365 | 607,253,666 |
| Additions | - | - | - | - | 2,404,733 | 5,201,300 | 612,112 | 8,218,145 |
| Disposals | - | - | - | (110,283) | (2,455,333) | (3,958,803) | - | (6,524,419) |
| Transfers in (out) | - | - | - | 927,477 | - | - | (927,477) | - |
| 31 December 2019 | 5,385,371 | 24,521,452 | 270,282,501 | 121,206,325 | 119,915,045 | 67,636,698 | - | 608,947,392 |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |
| 1 January 2018 | - | 9,556,146 | 149,411,173 | 44,083,527 | 80,108,940 | 45,688,081 | - | 328,847,867 |
| Depreciation for the year | - | 700,804 | 3,030,370 | 4,501,534 | 13,461,972 | 6,919,749 | - | 28,614,429 |
| Depreciation on disposals | - | - | - | (1,163,261) | (1,211,459) | (6,188,135) | - | (8,562,855) |
| 31 December 2018 | - | 10,256,950 | 152,441,543 | 47,421,800 | 92,359,453 | 46,419,695 | - | 348,899,441 |
| Depreciation for the year | - | 681,452 | 2,968,509 | 2,829,553 | 11,332,974 | 6,181,691 | - | 23,994,179 |
| Depreciation on disposals | - | - | - | (110,279) | (2,454,363) | (3,931,152) | - | (6,495,794) |
| 31 December 2019 | - | 10,938,402 | 155,410,052 | 50,141,074 | 101,238,064 | 48,670,234 | - | 366,397,826 |
| **Net book value** |  |  |  |  |  |  |  |  |
| 31 December 2018 | 5,385,371 | 14,264,502 | 117,840,958 | 72,967,331 | 27,606,192 | 19,974,506 | 315,365 | 258,354,225 |
| 31 December 2019 | 5,385,371 | 13,583,050 | 114,872,449 | 71,065,251 | 18,676,981 | 18,966,464 | - | 242,549,566 |
| **Depreciation for the year** |  |  |  |  |  |  |  |  |
| 2018 |  |  |  |  |  |  |  | 28,614,429 |
| 2019 |  |  |  |  |  |  |  | 23,994,179 |

As at 31 December 2019, the Company had certain items of buildings and equipment which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 269.3 million (2018: Baht 235.8 million).

**14. Intangible assets**

As at 31 December 2019 and 2018, the net book value of intangible assets are presented below.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | (Unit: Baht) |
|  | Computer Software | Computer software under improvement | Total |
| **Cost** |  |  |  |
| 1 January 2018 | 93,703,340 | - | 93,703,340 |
| Additions | 575,500 | 32,251,100 | 32,826,600 |
| 31 December 2018 | 94,278,840 | 32,251,100 | 126,529,940 |
| Additions | 150,006 | - | 150,006 |
| 31 December 2019 | 94,428,846 | 32,251,100 | 126,679,946 |
| **Accumulated amortisation** |  |  |  |
| 1 January 2018 | 64,567,296 | - | 64,567,296 |
| Amortisation for the year | 4,541,731 | - | 4,541,731 |
| 31 December 2018 | 69,109,027 | - | 69,109,027 |
| Amortisation for the year | 4,211,641 | - | 4,211,641 |
| 31 December 2019 | 73,320,668 | - | 73,320,668 |
| **Net book value** |  |  |  |
| 31 December 2018 | 25,169,813 | 32,251,100 | 57,420,913 |
| 31 December 2019 | 21,108,178 | 32,251,100 | 53,359,278 |

As at 31 December 2019, the Company had certain items of computer software which have been fully amortised but are still in use. The gross carrying amount before deducting accumulated amortisation of those assets amounted to Baht 52.4 million (2018: Baht 52.2 million)

**15. Deferred tax assets and income tax expenses**

**15.1 Deferred tax assets**

The components of deferred tax assets and liabilities as at 31 December 2019 and 2018 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Baht) | |
|  | Financial statements in which the equity method is applied | | | |
|  | Balance as at 31 December | | Changes in deferred tax assets and liabilities recognised in statements of income for the years ended 31 December | |
|  | 2019 | 2018 | 2019 | 2018 |
| **Deferred tax assets** |  |  |  |  |
| Unearned premium reserve | 74,092,132 | 67,167,246 | 6,924,886 | 5,022,541 |
| Allowance for loss on impairment of investments | 3,584,145 | 11,701,945 | (8,117,800) | 6,437,800 |
| Allowance for doubtful accounts | 33,823,425 | 30,232,537 | 3,590,888 | 2,221,371 |
| Loss reserves | 56,798,988 | 38,117,274 | 18,681,714 | (12,528,250) |
| Provision for loss incurred but not reported (IBNR) | 8,523,399 | 6,735,653 | 1,787,746 | (156,355) |
| Employee benefit obligations | 14,367,576 | 20,515,299 | (7,182,776) | 7,630,330 |
| Unutilised tax loss | - | - | - | (27,728,525) |
| Share of loss from investments in associates | 3,247,848 | 2,157,860 | 403,292 | 1,507,197 |
| Unrealised loss on changes in value of available-for-sale securities | 7,064,750 | 3,949,412 |  |  |
| Fair value loss | 720,352 | - | 720,352 | - |
| Others | 14,460,579 | 2,241,620 | 12,218,959 | 616,087 |
| Total | 216,683,194 | 182,818,846 |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| Difference of investment cost arising from reclassification | 2,633,173 | - | (2,633,173) | - |
| Others | 328,263 | 1,562,416 | 1,234,153 | (114,705) |
| Total | 2,961,436 | 1,562,416 |  |  |
| Deferred tax assets - net | 213,721,758 | 181,256,430 |  |  |
| Total change |  |  | 27,628,241 | (17,092,509) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Baht) | |
|  | Separate financial statements | | | |
|  | Balance as at 31 December | | Changes in deferred tax assets and liabilities recognised in statements of income for the years ended 31 December | |
|  | 2019 | 2018 | 2019 | 2018 |
| **Deferred tax assets** |  |  |  |  |
| Unearned premium reserve | 74,092,132 | 67,167,246 | 6,924,886 | 5,022,541 |
| Allowance for loss on impairment of investments | 3,584,145 | 11,701,945 | (8,117,800) | 6,437,800 |
| Allowance for doubtful accounts | 33,823,425 | 30,232,537 | 3,590,888 | 2,221,371 |
| Loss reserves | 56,798,988 | 38,117,274 | 18,681,714 | (12,528,250) |
| Provision for loss incurred but not reported (IBNR) | 8,523,399 | 6,735,653 | 1,787,746 | (156,355) |
| Employee benefit obligations | 14,367,576 | 20,515,299 | (7,182,776) | 7,630,330 |
| Unutilised tax loss | - | - | - | (27,728,525) |
| Unrealised loss on changes in value of available-for-sale securities | 7,064,750 | 3,949,412 |  |  |
| Fair value loss | 720,352 | - | 720,352 | - |
| Others | 14,460,579 | 2,241,620 | 12,218,959 | 616,087 |
| Total | 213,435,346 | 180,660,986 |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| Difference of investment cost arising from reclassification | 2,633,173 | - | (2,633,173) | - |
| Others | 328,263 | 1,562,416 | 1,234,153 | (114,705) |
| Total | 2,961,436 | 1,562,416 |  |  |
| Deferred tax assets - net | 210,473,910 | 179,098,570 |  |  |
| Total change |  |  | 27,224,949 | (18,599,706) |

**15.2 Income tax expenses**

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2019 | 2018 | 2019 | 2018 |
| **Current income tax:** |  |  |  |  |
| Current income tax charge for the year | 27,552,492 | 1,074,827 | 27,552,492 | 1,074,827 |
| Adjustment in respect of current income tax of previous year | 30,800 | - | 30,800 | - |
| **Deferred tax:** |  |  |  |  |
| Relating to origination and reversal of temporary differences | (27,628,241) | 17,092,509 | (27,224,949) | 18,599,706 |
| **Income tax expenses (revenues) reported in statements of income** | (44,949) | 18,167,336 | 358,343 | 19,674,533 |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2019 | 2018 | 2019 | 2018 |
| Deferred tax from |  |  |  |  |
| Exchange differences on translating of financial statements in foreign currency | 686,696 | 650,663 | - | - |
| Unrealised loss on changes in value of available-for-sale securities | 3,115,338 | 25,368,696 | 3,115,338 | 25,368,696 |
| Actuarial loss | 1,035,053 | 121,244 | 1,035,053 | 121,244 |
| Total | 4,837,087 | 26,140,603 | 4,150,391 | 25,489,940 |

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2019 and 2018 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Baht) | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2019 | 2018 | 2019 | 2018 |
| Accounting profit before tax | 29,600,473 | 104,677,357 | 31,616,934 | 108,263,486 |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Tax expenses at the applicable tax rate | 5,920,095 | 20,935,471 | 6,323,387 | 21,652,697 |
| Adjustment in respect of current income tax of previous year | 30,800 | - | 30,800 | - |
| Effects of: |  |  |  |  |
| Exempted expenses | 4,634,058 | 8,798,837 | 4,634,058 | 8,798,837 |
| Allowed additional expense deductions | (857,292) | (1,636,301) | (857,292) | (1,636,301) |
| Others | (9,772,610) | (9,930,671) | (9,772,610) | (9,140,700) |
| Income tax expenses (revenues) reported in statements of income | (44,949) | 18,167,336 | 358,343 | 19,674,533 |

**16. Claims receivable from litigants**

Claims receivable from litigants classified by the year of the claims incurred are as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| **Claim years** |  |  |
| Year 2019 | 85,444,014 | - |
| Year 2018 | 43,179,550 | 83,822,782 |
| Year 2017 | 34,705,577 | 44,475,373 |
| Year 2016 | 33,918,630 | 41,501,799 |
| Year 2015 | 28,141,929 | 30,195,124 |
| Prior to 2015 | 61,024,113 | 67,678,573 |
| Total claims receivable from litigants | 286,413,813 | 267,673,651 |
| Less: Allowance for doubtful accounts | (167,664,639) | (150,263,817) |
| Claims receivable from litigants, net | 118,749,174 | 117,409,834 |

**17. Insurance contract liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2019 | | |
|  | Insurance contract liabilities | Reinsurance assets | Net |
| Claim reserves and outstanding claims |  |  |  |
| Claim incurred and reported | 836,756,895 | (239,739,440) | 597,017,455 |
| Claim incurred but not reported | 101,669,919 | (59,052,926) | 42,616,993 |
| Premium reserves |  |  |  |
| Unearned premium reserves | 1,642,685,707 | (360,823,804) | 1,281,861,903 |
| Total | 2,581,112,521 | (659,616,170) | 1,921,496,351 |

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2018 | | |
|  | Insurance contract liabilities | Reinsurance assets | Net |
| Claim reserves and outstanding claims |  |  |  |
| Claim incurred and reported | 575,263,180 | (77,347,542) | 497,915,638 |
| Claim incurred but not reported | 69,670,264 | (35,991,997) | 33,678,267 |
| Premium reserves |  |  |  |
| Unearned premium reserves | 1,551,386,936 | (338,579,409) | 1,212,807,527 |
| Total | 2,196,320,380 | (451,918,948) | 1,744,401,432 |

During the years 2019 and 2018, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management, insurance contract liabilities disclosures have been made on both a gross and net basis in order to provide a comprehensive set of disclosures.

**17.1 Claim reserves and outstanding claims**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Beginning balance | 644,933,444 | 709,416,742 |
| Claim expenses for the year | 2,122,093,137 | 1,808,398,264 |
| Change in claim reserves and outstanding claims from the prior year | (74,981,925) | (56,865,078) |
| Change in assumption for calculating claim reserves | 31,999,655 | (15,868,930) |
| Claim paid during the year | (1,785,617,497) | (1,800,147,554) |
| Ending balance | 938,426,814 | 644,933,444 |

As at 31 December 2019, the Company has claim reserves and outstanding claims under reinsurance contracts at Baht 6.3 million (2018: Baht 8.3 million).

**17.2 Claim development table**

(a) Gross claims table

(Unit: Million Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reporting year/Accident year | Prior to 2012 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | | Total |
| Claim estimates: |  |  |  |  |  |  |  |  |  | |  |
| - as at accident year |  | 1,269 | 1,379 | 1,409 | 1,956 | 2,187 | 1,761 | 1,754 | 2,143 | |  |
| - Next one year |  | 1,232 | 1,396 | 1,388 | 1,941 | 2,199 | 1,749 | 1,715 |  | |  |
| - Next two years |  | 1,213 | 1,359 | 1,385 | 1,961 | 2,200 | 1,742 |  |  | |  |
| - Next three years |  | 1,211 | 1,361 | 1,386 | 1,957 | 2,189 |  |  |  | |  |
| - Next four years |  | 1,213 | 1,358 | 1,379 | 1,953 |  |  |  |  | |  |
| - Next five years |  | 1,211 | 1,359 | 1,378 |  |  |  |  |  | |  |
| - Next six years |  | 1,211 | 1,356 |  |  |  |  |  |  | |  |
| - Next seven years |  | 1,211 |  |  |  |  |  |  |  | |  |
| Ultimate claim reserves |  | 1,211 | 1,356 | 1,378 | 1,953 | 2,189 | 1,742 | 1,715 | 2,143 | |  |
| Cumulative payment to date |  | (1,208) | (1,353) | (1,374) | (1,946) | (2,181) | (1,724) | (1,655) | (1,324) | |  |
| Total | 5 | 3 | 3 | 4 | 7 | 8 | 18 | 60 | 819 | | 927 |
| Claim for inward treaty |  |  |  |  |  |  |  |  |  | | 6 |
| Unallocated loss adjustment expenses | | | | | | | | | | 5 | |
| Total claim reserves and outstanding claims before reinsurance | | | | | | | | | | 938 | |

(b) Net claims table

(Unit: Million Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reporting year/Accident year | Prior to 2012 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | | Total |
| Claim estimates: |  |  |  |  |  |  |  |  |  | |  |
| - as at accident year |  | 997 | 1,209 | 1,270 | 1,681 | 1,901 | 1,500 | 1,330 | 1,541 | |  |
| - Next one year |  | 1,008 | 1,236 | 1,262 | 1,660 | 1,853 | 1,470 | 1,309 |  | |  |
| - Next two years |  | 999 | 1,203 | 1,253 | 1,680 | 1,856 | 1,462 |  |  | |  |
| - Next three years |  | 998 | 1,205 | 1,254 | 1,678 | 1,852 |  |  |  | |  |
| - Next four years |  | 999 | 1,202 | 1,253 | 1,673 |  |  |  |  | |  |
| - Next five years |  | 997 | 1,202 | 1,251 |  |  |  |  |  | |  |
| - Next six years |  | 997 | 1,199 |  |  |  |  |  |  | |  |
| - Next seven years |  | 996 |  |  |  |  |  |  |  | |  |
| Ultimate claim reserves |  | 996 | 1,199 | 1,251 | 1,673 | 1,852 | 1,462 | 1,309 | 1,541 | |  |
| Cumulative payment to date |  | (994) | (1,196) | (1,248) | (1,667) | (1,845) | (1,450) | (1,258) | (1,001) | |  |
| Total | 5 | 2 | 3 | 3 | 6 | 7 | 12 | 51 | 540 | | 629 |
| Claim for inward treaty |  |  |  |  |  |  |  |  |  | | 6 |
| Unallocated loss adjustment expenses | | | | | | | | | | 5 | |
| Total claim reserves and outstanding claims after reinsurance | | | | | | | | | | 640 | |

**17.3 Methodology and assumption**

The methodology and assumptions adopted for the gross and net valuations of insurance contract liabilities (claim reserves and outstanding claims) as at 31 December 2019 and 2018 are presented as follows:

(a) Outstanding claims provision

1. Direct and inward facultative business

The Company used 3 actuarial methods as follows:

* 1. Chain Ladder method based on both claims paid and claims incurred
  2. Bornhuetter-Ferguson method (“BF”) based on both claims paid and claims incurred
  3. Expected Loss Ratio method (“ELR”)

The Company mostly relies on the Chain Ladder method on claims incurred to derive the best estimate of claims liability. The BF and ELR methods are also used where appropriate. Loss Development Factors (“LDF”) are selected based on a range of criteria, which include the pattern of historical claims payments and claims incurred. In most instances, the loss development factors selected are based on various average loss development factors for each development year. The Company also takes into consideration whether averages may not be appropriate, for reasons such as the average not reflecting the Company’s operational changes, the average being inappropriate due to distortion by large claims, or the average being contrary to a trend in the recent ratios.

Both qualitative and quantitative factors are taken by the Company into consideration in the selection of LDF to produce claim reserves that appropriately reflect the Company’s future claims liability as at the valuation date.

2. Inward treaty business

The Company uses a basic approach in estimating claims reserves provision for inward treaty business. This approach assumes that the claims reserves requirements for the inward treaty business would be proportionally similar to those of the direct and inward facultative business. The Company therefore use the percentage of gross outstanding case reserves to apply with inward treaty contracts.

(b) Estimation of unallocated loss adjustment expenses reserve

In determining the unallocated loss adjustment expenses (ULAE) reserve, the Company used total expenses to estimate the claim expenses. ULAE is calculated from the ratio of ULAE to the average of paid losses and reported losses which is based on the assumption that half of a claim’s ULAE is expended when a loss is reported, and half when it is paid.

The ULAE ratios are computed for motor and non-motor classes separately and are applied onto the best estimate of gross claim liability (excluding flood claims in 2011) to obtain the ULAE reserves for claims liability.

ULAE reserve is computed as the sum of the ULAE ratio multiplied by half of the case reserve and outstanding claims, plus the ULAE ratio multiplied by the incurred but not reported (IBNR) reserve.

1. Economic assumptions

The Company has not discounted for future investment earnings, and has not explicitly inflation adjusted claim amounts payable in the future. However, the Company has implicitly allowed for future claims inflation to the extent that this is evident in past claims development.

1. Other assumptions

The Company has assumed that claims development patterns are generally consistent and stable over the years and also assumed that the past inflation pattern will continue into future projected years. For claims prior to accident year 2004, the Company has reached their ultimate claim so there would be no IBNR from these claims.

**17.4 Unearned premium reserves**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Beginning balance | 1,551,386,936 | 1,430,673,668 |
| Premium written for the year | 3,023,909,573 | 2,892,615,189 |
| Premium earned for the current year | (2,932,610,802) | (2,771,901,921) |
| Ending balance | 1,642,685,707 | 1,551,386,936 |

**18. Due to reinsurers**

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Baht) |
|  | 2019 | 2018 |
| Amounts withheld on reinsurance | 277,788,790 | 241,495,346 |
| Amounts due to reinsurers | 483,233,443 | 432,936,215 |
| Total due to reinsurers | 761,022,233 | 674,431,561 |

**19. Employee benefit obligations**

The movement of provision for employee benefit obligations for the years ended 31 December 2019 and 2018 was as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| **Employee benefit obligations at beginning**  **of year** | 50,076,495 | 45,818,627 |
| Included in statement of income: |  |  |
| Current service cost | 5,164,320 | 4,261,476 |
| Interest cost | 1,772,466 | 1,357,171 |
| Past service cost | 11,393,299 | - |
| Total items included in statement of income | 18,330,085 | 5,618,647 |
| Included in statement of comprehensive income: |  |  |
| Actuarial loss (gain) arising from |  |  |
| Demographic assumption change | 2,975,592 | (2,049,433) |
| Financial assumption change | 859,491 | (229,361) |
| Experience adjustment | 1,340,182 | 2,885,015 |
| Total items included in statement of comprehensive  income | 5,175,265 | 606,221 |
| Benefits paid during the year | (12,281,066) | (1,967,000) |
| **Employee benefit obligations at end of year** | 61,300,779 | 50,076,495 |

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 12 years, and the Company expected to pay Baht 4.9 million of long-term employee benefits during the next year (2018: 11 years and Baht 10.1 million, respectively).

Significant actuarial assumptions are summarised below:

|  |  |  |
| --- | --- | --- |
|  | (Unit: % per annum) | |
|  | 2019 | 2018 |
| Discount rate | 1.7 | 2.7 |
| Salary increase rate | 5.5 | 6.3 |
| Staff turnover rate | 0.0 - 21.0 | 0.0 - 23.0 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Baht) | |
|  | 2019 | |
|  | Rate increase 0.5% per annum | Rate decrease 0.5% per annum |
| Discount rate | Liabilities decrease 2,283,402 | Liabilities increase 2,433,929 |
| Salary increase rate | Liabilities increase 2,331,864 | Liabilities decrease 2,213,594 |
| Staff turnover rate | Liabilities decrease 2,475,373 | Liabilities increase 2,627,661 |

|  |  |  |
| --- | --- | --- |
|  | (Unit: Baht) | |
|  | 2018 | |
|  | Rate increase 0.5% per annum | Rate decrease 0.5% per annum |
| Discount rate | Liabilities decrease 1,602,842 | Liabilities increase 1,700,922 |
| Salary increase rate | Liabilities increase 1,633,063 | Liabilities decrease 1,556,611 |
| Staff turnover rate | Liabilities decrease 1,762,215 | Liabilities increase 1,862,959 |

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days’ compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company has additional long-term employee benefit liabilities of Baht 11.4 million as a result. The Company has reflected the effect of the change by recognising past service costs as expenses in the income statement in this year.

**20. Liabilities under finance lease agreements**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Liabilities under finance lease agreements | 16,896,322 | 19,474,450 |
| Less: Deferred interest expenses | (1,026,402) | (1,483,838) |
| Total | 15,869,920 | 17,990,612 |
| Less: Portion due within one year | (7,723,618) | (6,848,505) |
| Liabilities under finance lease agreement |  |  |
| - net of current portion | 8,146,302 | 11,142,107 |

The Company has entered into finance lease agreements with the leasing companies to lease motor vehicles, equipment, and computer software for use in its operations, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 3 - 4 years.

Future minimum lease payments required under the finance lease agreements were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2019 | | |
|  | Less than 1 year | 1 - 5 years | Total |
| Future minimum lease payments | 8,286,385 | 8,609,937 | 16,896,322 |
| Deferred interest expenses | (562,767) | (463,635) | (1,026,402) |
| Present value of future minimum lease payments | 7,723,618 | 8,146,302 | 15,869,920 |

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2018 | | |
|  | Less than 1 year | 1 - 5 years | Total |
| Future minimum lease payments | 7,646,506 | 11,827,944 | 19,474,450 |
| Deferred interest expenses | (798,001) | (685,837) | (1,483,838) |
| Present value of future minimum lease payments | 6,848,505 | 11,142,107 | 17,990,612 |

**21. Share capital**

On 25 April 2019, the 2019 Annual General Meeting of shareholders approved an increase of the Company’s registered share capital from Baht 340 million to be Baht 350 million (35 million shares of Baht 10 each) by newly issues the ordinary shares in amount of 1 million shares with the par value at Baht 10 per share to support the stock dividend payment, and approved to allocate indivisible share remaining after such allocated the stock dividend to the Navakij Insurance Provident Fund. The Company registered the increase of share capital with the Ministry of Commerce on 10 June 2019.

**22. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit, until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

**23. Operating expenses**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Personnel expenses which is not expenses for underwriting and claims | 218,353,422 | 223,126,655 |
| Premises and equipment expenses | 82,438,760 | 88,210,735 |
| Taxes and duties | 2,890,383 | 2,834,711 |
| Bad debts and doubtful accounts | 18,909,644 | 10,363,521 |
| Other operating expenses | 39,383,054 | 46,809,629 |
| Total operating expenses | 361,975,263 | 371,345,251 |

**24. Expenses by nature**

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Baht) | | |
|  | | 2019 | 2018 |
| Net claim and loss adjustment expenses | | 1,386,851,580 | 1,170,417,055 |
| Commissions and brokerage expenses | | 470,810,354 | 451,055,713 |
| Other underwriting expenses | | 236,754,612 | 206,464,234 |
| Personnel expenses | | 304,854,472 | 310,437,166 |
| Premises and equipment expenses | | 82,438,760 | 88,210,735 |
| Bad debts and doubtful accounts | | 18,909,644 | 10,363,521 |
| Other operating expenses | | 42,273,437 | 49,644,340 |
| Total | | 2,542,892,859 | 2,286,592,764 |

**25. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Tisco Asset Management Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2019, the Company contributed Baht 9.1 million (2018: Baht 8.4 million) to the fund.

**26. Earnings per share**

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares as a result of the increase in share capital arising from the issue of stock dividend.

On 25 April 2019, the 2019 Annual General Meeting of shareholders approved to pay a cash dividend of Baht 1.50 per share, and stock dividend of 1 million shares to the existing shareholders. For the purpose of calculating earnings per share, the Company adjusted the number of ordinary shares used to calculate the earnings per share, as though it had issued the stock dividend at the beginning of the reporting periods.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | For the years ended 31 December | | For the years ended 31 December | |
|  | 2019 | 2018 | 2019 | 2018 |
|  |  | (Restated) |  | (Restated) |
| Number of ordinary shares issued during the year (Shares) | 35,000,000 | 34,000,000 | 35,000,000 | 34,000,000 |
| Number of stock dividend additional issue in 2019 (Shares) | - | 1,000,000 | - | 1,000,000 |
| Total (Shares) | 35,000,000 | 35,000,000 | 35,000,000 | 35,000,000 |
| Profit for the year (Baht) | 29,645,422 | 86,510,021 | 31,258,591 | 88,588,953 |
| Earnings per share (Baht per share) | 0.85 | 2.47 | 0.89 | 2.53 |

**27. Dividends**

Dividends declared during the years ended 31 December 2019 and 2018 consisted of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Approved by | Total dividends | Dividends per share |
|  |  | (Million Baht) | (Baht) |
| Dividends from 2018 net profit (Cash dividends of Baht 1.50 per share and stock dividends of Baht 0.29 per share) | Annual General Meeting of the shareholders on 25 April 2019 | 61.0 | 1.79 |
| Dividends from 2017 net profit (Cash dividends of Baht 1.50 per share and stock dividends of Baht 0.30 per share) | Annual General Meeting of the shareholders on 24 April 2018 | 59.5 | 1.80 |

**28. Segment information**

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

For management purposes, the Company is organised into business units based on its products, which consisted of Fire, Marine and transportation, Motor, and Miscellaneous insurance.

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

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied | | | | |
|  | For the year ended 31 December 2019 | | | | |
|  | Fire | Marine and transportation | Motor | Miscellaneous | Total |
| **Underwriting income** |  |  |  |  |  |
| Gross premium written | 620,182,221 | 78,376,805 | 1,767,674,426 | 557,676,121 | 3,023,909,573 |
| Less: Premiums ceded to reinsurers | (293,582,142) | (34,737,289) | (11,467,207) | (405,619,828) | (745,406,466) |
| Net premium written | 326,600,079 | 43,639,516 | 1,756,207,219 | 152,056,293 | 2,278,503,107 |
| Add (less): Unearned premium reserves (increase) decrease from prior year | (10,673,203) | 248,506 | (54,134,600) | (4,495,079) | (69,054,376) |
| Net earned premium | 315,926,876 | 43,888,022 | 1,702,072,619 | 147,561,214 | 2,209,448,731 |
| Fee and commission income | 63,101,887 | 15,120,216 | 2,271,008 | 101,864,875 | 182,357,986 |
| **Total underwriting income** | 379,028,763 | 59,008,238 | 1,704,343,627 | 249,426,089 | 2,391,806,717 |
| **Underwriting expenses** |  |  |  |  |  |
| Claim and loss adjustment expenses - net | 104,672,104 | 6,146,770 | 1,182,075,060 | 141,915,306 | 1,434,809,240 |
| Commission and brokerage expenses | 142,994,133 | 11,184,269 | 255,924,830 | 60,707,122 | 470,810,354 |
| Other underwriting expenses | 56,515,612 | 5,762,820 | 162,951,109 | 50,068,461 | 275,298,002 |
| **Total underwriting expenses**  **before operating expenses** | 304,181,849 | 23,093,859 | 1,600,950,999 | 252,690,889 | 2,180,917,596 |
| **Profit (loss) from underwriting before operating expenses** | 74,846,914 | 35,914,379 | 103,392,628 | (3,264,800) | 210,889,121 |
| Operating expenses |  |  |  |  | (361,975,263) |
| **Loss from underwriting** |  |  |  |  | (151,086,142) |
| Share of loss from investments in associates |  |  |  |  | (2,016,461) |
| Investment income |  |  |  |  | 94,143,100 |
| Profit on investments |  |  |  |  | 83,373,624 |
| Fair value loss |  |  |  |  | (3,601,761) |
| Other income |  |  |  |  | 8,788,113 |
| **Profit before income tax expenses** |  |  |  |  | 29,600,473 |
| Income tax revenues |  |  |  |  | 44,949 |
| **Profit for the year** |  |  |  |  | 29,645,422 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied | | | | |
|  | For the year ended 31 December 2018 | | | | |
|  | Fire | Marine and transportation | Motor | Miscellaneous | Total |
| **Underwriting income** |  |  |  |  |  |
| Gross premium written | 581,722,178 | 82,387,288 | 1,709,017,434 | 519,488,289 | 2,892,615,189 |
| Less: Premiums ceded to reinsurers | (270,327,693) | (39,539,689) | (9,458,680) | (380,860,879) | (700,186,941) |
| Net premium written | 311,394,485 | 42,847,599 | 1,699,558,754 | 138,627,410 | 2,192,428,248 |
| Less: Unearned premium reserves increase from prior year | (12,978,930) | (1,126,576) | (74,982,555) | (8,906,344) | (97,994,405) |
| Net earned premium | 298,415,555 | 41,721,023 | 1,624,576,199 | 129,721,066 | 2,094,433,843 |
| Fee and commission income | 87,090,333 | 13,315,959 | 2,045,601 | 95,511,819 | 197,963,712 |
| **Total underwriting income** | 385,505,888 | 55,036,982 | 1,626,621,800 | 225,232,885 | 2,292,397,555 |
| **Underwriting expenses** |  |  |  |  |  |
| Claim and loss adjustment expenses - net | 44,465,334 | 13,961,423 | 1,070,108,168 | 90,430,061 | 1,218,964,986 |
| Commission and brokerage expenses | 138,559,217 | 11,440,411 | 239,801,831 | 61,254,254 | 451,055,713 |
| Other underwriting expenses | 44,109,835 | 5,124,503 | 143,833,425 | 52,159,051 | 245,226,814 |
| **Total underwriting expenses**  **before operating expenses** | 227,134,386 | 30,526,337 | 1,453,743,424 | 203,843,366 | 1,915,247,513 |
| **Profit from underwriting before operating expenses** | 158,371,502 | 24,510,645 | 172,878,376 | 21,389,519 | 377,150,042 |
| Operating expenses |  |  |  |  | (371,345,251) |
| **Profit from underwriting** |  |  |  |  | 5,804,791 |
| Share of loss from investments in associates |  |  |  |  | (3,586,129) |
| Investment income |  |  |  |  | 84,810,439 |
| Profit on investments |  |  |  |  | 11,424,248 |
| Other income |  |  |  |  | 6,224,008 |
| **Profit before income tax expenses** |  |  |  |  | 104,677,357 |
| Income tax expenses |  |  |  |  | (18,167,336) |
| **Profit for the year** |  |  |  |  | 86,510,021 |

Segment assets and liabilities of the Company’s operating segments as at 31 December 2019 and 2018 are as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | | | |
|  | Fire | Marine and transportation | Motor | Miscellaneous | Total segments | Unallocated | Total |
| **Assets** |  |  |  |  |  |  |  |
| As at 31 December 2019 | 448,635,328 | 23,203,045 | 229,715,862 | 418,250,768 | 1,119,805,003 | 4,583,496,278 | 5,703,301,281 |
| As at 31 December 2018 | 320,240,588 | 32,612,682 | 221,502,993 | 318,854,876 | 893,211,139 | 4,334,784,132 | 5,227,995,271 |
| **Liabilities** |  |  |  |  |  |  |  |
| As at 31 December 2019 | 622,197,490 | 27,737,728 | 1,486,373,090 | 444,804,212 | 2,581,112,520 | 1,055,701,893 | 3,636,814,413 |
| As at 31 December 2018 | 459,777,493 | 36,661,931 | 1,373,411,492 | 326,469,464 | 2,196,320,380 | 924,500,149 | 3,120,820,529 |

**Geographic information**

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

**Major customers’ information**

During the years ended 31 December 2019 and 2018, the Company had gross premium written from major customers as follows:

|  |  |  |
| --- | --- | --- |
| (Unit: Million Baht) | | |
|  | Financial statements in which the equity method is applied | |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Gross premium written *(1)* | 652 | 984 |

*(1)  Presented total amounts of gross premiums written from major customers who have premium written more than 10 percent.*

**29. Related party transactions**

**29.1 Nature of relationship**

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

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

|  |  |
| --- | --- |
| Name of related parties | Nature of relationship |
| TKI General Insurance Company Limited | Associated company |
| TKI Life Insurance Company Limited | Associated company |
| The United Indemnity Co., Ltd. | 7.11% of shares held in the Company |
| Thanasorn Sombat (Thai) Company Limited | 5.06% of shares held in the Company and common directors |
| The Falcon Insurance Plc. | 12.00% of shares held by the Company |
| Thai Metal Drum Manufacturing Plc. | Common directors and through shareholding |
| Varopakorn Plc. *(1)* | Common directors and through shareholding |
| Rangsit Plaza Co., Ltd. | Common directors and through shareholding |
| Sathorn Thani Co., Ltd. | Common directors and through shareholding |
| Siam Motors Co., Ltd. | Common directors and through shareholding |
| Wanglee Co., Ltd. | Common directors and through shareholding |
| The Siam Cement Plc. *(2)* | Common directors and through shareholding |
| Thaire Life Assurance Plc. | Common directors and through shareholding |
| Rangsit Ruam Patana Co., Ltd. | Common directors and through shareholding |
| Poon Phol Co., Ltd. | Common directors and through shareholding |
| Pipatanasin Co., Ltd. | Common directors and through shareholding |
| Thaicom Plc. *(3)* | Common directors |
| Dusit Thani Plc. | Common directors |
| Serm Suk Plc. | Common directors |
| Chaitip Co., Ltd. | Common directors |
| Alinkij Siam Co., Ltd | Common directors |
| Siam Calsonic Co., Ltd. | Common directors |
| Siam Riken Industrial Co., Ltd. | Common directors |
| Siam International Corp., Ltd. | Common directors |
| The Pet Co., Ltd. | Common directors |
| Toyota Petchaboon Toyota’s Dealer Co., Ltd. | Common directors |
| Thai Pechaboon Co., Ltd. | Common directors |
| BTS Group Holdings Plc. | Common directors |
| C.E.S. Co., Ltd. | Common directors |
| Sittinan Co., Ltd. | A related person of the Company’s director is a major shareholder |
| PIA Interior Co., Ltd. | A related person of the Company’s director is a major shareholder |

*(1) During June - July 2019 not related party*

*(2) Since December 2019 not related party*

*(3) Since March 2018 not related party*

**29.2 Significant related party transactions**

During the years ended 31 December 2019 and 2018, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |  |
|  | For the years ended 31 December | |  |
|  | 2019 | 2018 | Pricing policy |
| **Transactions with associated companies** |  |  |  |
| Reinsurance premium written | 1,601,101 | 457,238 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Commission paid to reinsurance | 312,149 | 126,921 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| **Transactions with related companies** |  |  |  |
| Direct premium written | 74,963,282 | 69,564,640 | Rates as specified in insurance contracts |
| Reinsurance premium written | 13,418,256 | 14,694,516 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Premium ceded | 31,236,962 | 34,524,352 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Claim expenses | 18,093,100 | 13,290,024 | Actual incurred |
| Commission paid to reinsurance | 4,737,364 | 5,217,970 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Commission received | 14,129,589 | 15,137,398 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Dividend income | 32,017,600 | 21,592,110 | As declared |
| Rental and service fee for branch office expenses | 454,156 | 449,960 | Contract price |
| Rental income | 224,436 | 222,056 | Contract price |

**29.3 Outstanding balances**

The balances of the accounts between the Company and those related companies as at 31 December 2019 and 2018 are as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Baht) | |
|  | 2019 | 2018 |
| **Reinsurance receivables - amounts due from reinsurers** |  |  |
| The Falcon Insurance Plc. | 9,478,860 | 30,486,318 |
| TKI General Insurance Co., Ltd. | 1,195,598 | 207,700 |
| Total | 10,674,458 | 30,694,018 |
| **Investments in securities - equity securities** |  |  |
| Varopakorn Plc. | 1,793,662 | 1,738,472 |
| Thai Metal Drum Manufacturing Plc. | 293,953,800 | 242,473,440 |
| BTS Group Holdings Plc. | 52,400,000 | 66,850,000 |
| Thaire Life Assurance Plc. | 27,000,000 | 48,375,000 |
| The Siam Cement Plc. | 23,520,000 | 26,040,000 |
| The Falcon Insurance Plc. | 18,846,960 | 18,846,960 |
| Sathorn Thani Co., Ltd. | 12,780,000 | 12,780,000 |
| Rangsit Plaza Co., Ltd. | 6,560,000 | 6,560,000 |
| Total | 436,854,422 | 423,663,872 |
| **Due to reinsurers - Amounts due to reinsurance** |  |  |
| The Falcon Insurance Plc. | 14,906,724 | 14,233,124 |
| TKI General Insurance Co., Ltd. | 286,578 | 34,669 |
| Total | 15,193,302 | 14,267,793 |

**29.4 Directors and management’s benefits**

During the years ended 31 December 2019 and 2018, the Company had employment benefits expenses payable to their directors and management as below.

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Short-term benefits | 49,393,564 | 54,649,991 |
| Post-employment benefits | 2,269,369 | 612,696 |
| Total | 51,662,933 | 55,262,687 |

# **30. Assets pledged and reserved with the Registrar**

As at 31 December 2019 and 2018, the Company had the following assets pledged with the Registrar of the Office of Insurance Commission in accordance with the Non-life Insurance Act.

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2019 | | 2018 | |
|  | Cost | Fair value | Cost | Fair value |
| **Assets pledged** |  |  |  |  |
| Government bonds | 15,000,000 | 15,098,068 | 15,000,000 | 15,177,520 |
| **Assets reserve as non-life insurance reserve** |  |  |  |  |
| Deposits and certificate of deposits at financial institutions | 250,000,000 | 250,000,000 | 245,000,000 | 245,000,000 |
| Government and state enterprise securities | 20,000,000 | 19,914,109 | - | - |

# **31. Other assets with restrictions and commitments**

As at 31 December 2019 and 2018, the Company had pledged the following assets as collateral.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Baht) | | | | |
|  | 2019 | | 2018 | |
|  | Cost | Fair value | Cost | Fair value |
| **Pledged as bail bond in cases where insured drivers have been charged with criminal offense** |  |  |  |  |
| Government bonds | 100,000 | 100,654 | 440,000 | 440,000 |

# **32. Contribution to the General Insurance Fund**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2019 | 2018 |
| Accumulated contribution at the beginning of the year | 59,365,559 | 52,202,680 |
| Contribution during the year | 7,493,573 | 7,162,879 |
| Accumulated contribution at the end of the year | 66,859,132 | 59,365,559 |

# **33. Commitments and contingent liabilities**

**33.1 Capital commitments**

As at 31 December 2019, the Company had capital commitments of approximately Baht 61.2 million (2018: Baht 61.4 million) relating to program computer.

**33.2 Operating lease commitments**

The Company has entered into several lease agreements in respect of the lease of office building space. The terms of the agreements are generally between 1 year and 3 years.

As at 31 December 2019, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

|  |  |
| --- | --- |
| Payable within: | (Unit: Baht) |
| Within 1 year | 7,055,376 |
| Over 1 to 3 years | 9,598,248 |

**33.3 Letter of Guarantees**

As at 31 December 2019, there were bank guarantees amounting to Baht 2.8 million, and a certificate issued in the Company’s name amounting to Baht 4.7 million, as required in the normal course of the Company’s business (2018: Baht 2.9 million and Baht 6.0 million, respectively).

**33.4 Litigation**

As at 31 December 2019, the Company has been sued for damages totaling approximately Baht 52.2 million as insurer. The cases have not yet been finalised. However, the Company’s obligations in respect of these lawsuits do not exceed the maximum sum insured per the relevant policies, which is Baht 22.2 million, and the Company has set aside reserves for contingent losses amounting to Baht 22.1 million in the financial statements (2018: Baht 157.7 million, Baht 14.8 million and Baht 14.6 million, respectively).

# **34. Risk management policy**

**34.1 Insurance risk**

Insurance risk refers to the risk resulting from fluctuations in the frequency, the severity and the timing of damage deviations from assumptions that are used to determine premium rates, calculation of reserves and underwriting. The insurance risk causes or is a factor that contributes to the following risks:

1. Increase in the amount and frequency of loss

The impact of external factors, including physical or geographical factors, natural perils, disasters, accidents, terrorism and burglary may increase damage to lives, physical and property insured by the Company, leading to higher than expected losses. Such risks may result in the premiums received from customers being lower than the actual losses or the claims reserve being inadequate, which may have an impact on the Company’s capital at risk.

1. Suboptimal proportions of types of insurance products

The Company focuses on specific types of insurance products in order to expand its business and retain market share, which means that the Company’s revenue and expenses are highly dependent on these insurance products. This in turn increases the Company’s average cost of claims. As a result, the Company’s risk with respect to revenue or profit, or its capital funds may be affected.

1. Ethical or moral risk

This is the risk of dishonest actions being taken by insured persons for their personal gains, causing the Company payment of a higher settlement than a fair amount. This may result in a higher of loss ratio than expected and effect to the Company’s liquidity risk.

The measures adopted by the Company in response to those above risks are as follows:

1. Analysis on the basis of loss ratio and combined ratio plus expenses incurred in accordance with the ratio specified by the Company.
2. Selection based on client group, nature of business and insurable risk, in accordance with specified criteria that correlate with acceptable risk levels, and analysis of the appropriate retention and ceded ratios to improve potential profitability.
3. Reinsurance to spread risk exposure by placing treaty and facultative reinsurance with local and overseas financial secured companies which have a credit rating of at least A-, and by purchasing excess of loss reinsurance to reduce exposure to catastrophic losses and to protect the Company’s operations, financial position and capital level.
4. Management of the composition of the portfolio by writing all classes of insurance products and adjusting the portfolio mix according to market situation and customer demands. Technical knowledge and up to date statistics are used to plan marketing strategies to penetrate target markets by introducing products that are profitable and have high potential to expand.
5. Analysis of the concentration of insurance risk.

Concentration of insurance contracts liabilities segregated by insurance type are shown below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | 2019 | | | 2018 | | |
|  | Gross premium reserves | Outward premium reserves | Net | Gross premium reserves | Outward premium reserves | Net |
| Fire | 437,327,265 | (176,071,600) | 261,255,665 | 412,142,547 | (161,560,084) | 250,582,463 |
| Marine and transportation | 22,386,201 | (10,516,682) | 11,869,519 | 23,471,253 | (11,353,229) | 12,118,024 |
| Motor | 945,568,437 | (4,316,108) | 941,252,329 | 891,004,955 | (3,887,226) | 887,117,729 |
| Miscellaneous | 237,403,804 | (169,919,414) | 67,484,390 | 224,768,181 | (161,778,870) | 62,989,311 |
| Total | 1,642,685,707 | (360,823,804) | 1,281,861,903 | 1,551,386,936 | (338,579,409) | 1,212,807,527 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  | (Unit: Baht) |
|  | 2019 | | | 2018 | | |
|  | Gross loss reserves | Outward loss reserves | Net | Gross loss reserves | Outward loss reserves | Net |
| Fire | 184,870,225 | (140,520,947) | 44,349,278 | 47,634,946 | (27,666,325) | 19,968,621 |
| Marine and transportation | 5,351,528 | (999,383) | 4,352,145 | 13,190,678 | (7,985,863) | 5,204,815 |
| Motor | 540,804,653 | (177,948) | 540,626,705 | 482,406,537 | (1,729,685) | 480,676,852 |
| Miscellaneous | 207,400,408 | (157,094,088) | 50,306,320 | 101,701,283 | (75,957,666) | 25,743,617 |
| Total | 938,426,814 | (298,792,366) | 639,634,448 | 644,933,444 | (113,339,539) | 531,593,905 |

1. Sensitivity analysis

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in the calculation of claim liabilities, which will impact the claims liabilities both before and after reinsurance. The risk may occur because the frequency or severity of losses, or loss adjustment expenses are not in line with expectations.

The Company performed analysis of the sensitivity of insurance liabilities to changes in key variables. The variables for which tests were performed were the ultimate loss ratio (“ULR”) in the latest accident year and the unallocated loss adjustment expense ratio (“ULAE”) for the best estimate of insurance liabilities, with selection of variables based on appropriateness and the possibility of occurrence.

The impact on the best estimate of insurance liabilities of changes in key variables is shown in the following table.

(Unit: Million Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2019 | | | | |
|  | Assumption change | Increase (decrease) in provision for gross claim liabilities | Increase (decrease) in provision for net claim liabilities | Increase (decrease) in profit before tax | Increase (decrease) in owner’s equity |
| Ultimate loss ratio in latest accident year | + 5% | 101 | 79 | (79) | (63) |
| Ultimate loss ratio in latest accident year | - 5% | (97) | (75) | 75 | 60 |
| ULAE ratio | + 50% | 3 | 3 | (3) | (2) |
| ULAE ratio | - 50% | (3) | (3) | 3 | 2 |

(Unit: Million Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2018 | | | | |
|  | Assumption change | Increase (decrease) in provision for gross claim liabilities | Increase (decrease) in provision for net claim liabilities | Increase (decrease) in profit before tax | Increase (decrease) in owner’s equity |
| Ultimate loss ratio in latest accident year | + 5% | 78 | 62 | (62) | (49) |
| Ultimate loss ratio in latest accident year | - 5% | (77) | (61) | 61 | 49 |
| ULAE ratio | + 50% | 3 | 3 | (3) | (2) |
| ULAE ratio | - 50% | (3) | (3) | 3 | 2 |

**34.2 Credit risk**

Credit risk is the risk that the Company may suffer a financial loss as a result of a counterparty’s inability to comply with the terms of a financial instruments. The Company is exposed to credit risk primarily with respect to investments and reinsurance. The Company manages the risk by adopting appropriate credit control policies and procedures, as follows:

a. Risk from investments

The Company selects investments based on the credit ratings of the issuers of fixed income securities, assigned by reliable outside credit rating agencies such as TRIS and FITCH. It is the Company’s policy to invest in fixed income securities of at least “Investment Grade” quality. All invested fixed income securities are periodically monitored for any adjustment in the debtors’ credit rating and relevant information is gathered to review the business potential of the issuers. The Company also regularly monitors and reviews the limits set for investment to ensure adequate investment limits are maintained for individual lines at all times.

b. Risk from reinsurers

The Company considers and selects only reinsurers with a credit rating of A- or higher and monthly monitors for any adjustments to the credit ratings of reinsurance companies.

c. Risk from premium receivables collection

The Company possesses an efficient process of closely following up its outstanding premiums from the insured, agents and brokers, in addition to requiring agents and brokers to submit collateral for the specified credit limits allowed by the Company.

The Company therefore did not expect the significant loss from credit risk. The Company’s maximum exposure to credit risk is limited to the book value of investments in securities assets, premium receivables, reinsurance receivables, and reinsurance assets less allowance for doubtful accounts as presented in the statements of financial position.

**34.3 Market risk**

Market risk is the risk that change in interest rates, foreign exchange rates and securities prices may have an effect on the Company’s financial position. The Company had no significant financial instruments denominated in foreign currencies; market risk is therefore confined only to interest rate risk and equity position risk.

The Company manages market risk by diversifying its portfolio and spreading its investment funding to include various lines of investment as well as categories of business in order to minimise fluctuations in the aggregate value of its investments. It closely monitors and regularly assesses factors that may cause fluctuations in the value of investment instruments in order to make appropriate investment transactions in the circumstances. The Company has a policy not to invest in speculative securities that are highly exposed to price fluctuations but to focus on blue-chip securities and securities that generate steady yields. The Company has an investment committee who consider and set investment policies in addition to the Office of Insurance Commission’s rules, in order to reduce exposure to investment losses, and also review the structure of the portfolio mix on a regular basis.

1. Interest rate risk

Interest rate risk is the risk that the value of assets or liabilities will fluctuate due to changes in market interest rates.

As at 31 December 2019 and 2018, significant assets and liabilities classified by type of interest rates, with those assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | | | |
|  | 2019 | | | | | | |
|  | Fixed interest rates | | |  |  |  |  |
|  | Maturity date or repricing date | | |  |  |  |  |
|  | Within 1 year | 1 - 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | Effective interest rate |
|  |  |  |  |  |  |  | (% per annum) |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | - | 139,334,681 | 312,000 | 139,646,681 | 0.13 - 1.30 |
| Investments in securities |  |  |  |  |  |  |  |
| Government and state enterprise securities | 636,431,252 | 35,344,125 | - | - | 21,415,561 | 693,190,938 | 1.34 - 3.41 |
| Private debt securities | 406,647,252 | 272,828,119 | - | - | - | 679,475,371 | 1.86 - 3.25 |
| Equity securities | - | - | - | - | 1,186,519,338 | 1,186,519,338 | - |
| Deposits and certificate deposits at financial institutions | 485,000,000 |  | - | - | - | 485,000,000 | 0.65 - 2.30 |
| Loans | 149,370 | 800,476 | - | - | - | 949,846 | 6.50 - 7.00 |
| **Insurance assets** |  |  |  |  |  |  |  |
| Premium receivables | - | - | - | - | 460,188,833 | 460,188,833 | - |
| Reinsurance assets - claim reserves | - | - | - | - | 298,792,366 | 298,792,366 | - |
| Reinsurance receivables | - | - | - | - | 532,731,843 | 532,731,843 | - |
| **Insurance liabilities** |  |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | - | - | - | 938,426,814 | 938,426,814 | - |
| Due to reinsurers | - | - | - | - | 761,022,233 | 761,022,233 | - |

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | | | |
|  | 2018 | | | | | | |
|  | Fixed interest rates | | |  |  |  |  |
|  | Maturity date or repricing date | | |  |  |  |  |
|  | Within 1 year | 1 - 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | Effective interest rate |
|  |  |  |  |  |  |  | (% per annum) |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | - | 119,131,830 | 312,000 | 119,443,830 | 0.13 - 1.75 |
| Investments in securities |  |  |  |  |  |  |  |
| Government and state enterprise securities | 370,064,528 | 35,307,842 | - | - | 18,665,851 | 424,038,221 | 1.24 - 3.91 |
| Private debt securities | 205,382,569 | 518,765,364 | - | - | - | 724,147,933 | 1.60 - 3.94 |
| Equity securities | - | - | - | - | 1,092,637,668 | 1,092,637,668 | - |
| Deposits and certificate deposits at financial institutions | 530,000,000 | 50,000,000 | - | - | - | 580,000,000 | 1.30 - 2.30 |
| Loans | 78,656 | 266,083 | 247,337 | - | - | 592,076 | 6.50 - 7.00 |
| **Insurance assets** |  |  |  |  |  |  |  |
| Premium receivables | - | - | - | - | 441,292,191 | 441,292,191 | - |
| Reinsurance assets - claim reserves | - | - | - | - | 113,339,539 | 113,339,539 | - |
| Reinsurance receivables | - | - | - | - | 579,118,997 | 579,118,997 | - |
| **Insurance liabilities** |  |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | - | - | - | 644,933,444 | 644,933,444 | - |
| Due to reinsurers | - | - | - | - | 674,431,561 | 674,431,561 | - |

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | | |
|  | 2019 | | | | | | |
|  | Fixed interest rates | | |  |  |  |  |
|  | Maturity date or repricing date | | |  |  |  |  |
|  | Within 1 year | 1 - 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | Effective interest rate |
|  |  |  |  |  |  |  | (% per annum) |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | - | 139,334,681 | 312,000 | 139,646,681 | 0.13 - 1.30 |
| Investments in securities |  |  |  |  |  |  |  |
| Government and state enterprise securities | 636,431,252 | 35,344,125 | - | - | 21,415,561 | 693,190,938 | 1.34 - 3.41 |
| Private debt securities | 406,647,252 | 272,828,119 | - | - | - | 679,475,371 | 1.86 - 3.25 |
| Equity securities | - | - | - | - | 1,131,294,743 | 1,131,294,743 | - |
| Deposits and certificate deposits at financial institutions | 485,000,000 |  | - | - | - | 485,000,000 | 0.65 - 2.30 |
| Loans | 149,370 | 800,476 | - | - | - | 949,846 | 6.50 - 7.00 |
| **Insurance assets** |  |  |  |  |  |  |  |
| Premium receivables | - | - | - | - | 460,188,833 | 460,188,833 | - |
| Reinsurance assets - claim reserves | - | - | - | - | 298,792,366 | 298,792,366 | - |
| Reinsurance receivables | - | - | - | - | 532,731,843 | 532,731,843 | - |
| **Insurance liabilities** |  |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | - | - | - | 938,426,814 | 938,426,814 | - |
| Due to reinsurers | - | - | - |  | 761,022,233 | 761,022,233 | - |

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | | |
|  | 2018 | | | | | | |
|  | Fixed interest rates | | |  |  |  |  |
|  | Maturity date or repricing date | | |  |  |  |  |
|  | Within 1 year | 1 - 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | Effective interest rate |
|  |  |  |  |  |  |  | (% per annum) |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | - | 119,131,830 | 312,000 | 119,443,830 | 0.13 - 1.75 |
| Investments in securities |  |  |  |  |  |  |  |
| Government and state enterprise securities | 370,064,528 | 35,307,842 | - | - | 18,665,851 | 424,038,221 | 1.24 - 3.91 |
| Private debt securities | 205,382,569 | 518,765,364 | - | - | - | 724,147,933 | 1.60 - 3.94 |
| Equity securities | - | - | - | - | 1,037,413,073 | 1,037,413,073 | - |
| Deposits and certificate deposits at financial institutions | 530,000,000 | 50,000,000 | - | - | - | 580,000,000 | 1.30 - 2.30 |
| Loans | 78,656 | 266,083 | 247,337 | - | - | 592,076 | 6.50 - 7.00 |
| **Insurance assets** |  |  |  |  |  |  |  |
| Premium receivables | - | - | - | - | 441,292,191 | 441,292,191 | - |
| Reinsurance assets - claim reserves | - | - | - | - | 113,339,539 | 113,339,539 | - |
| Reinsurance receivables | - | - | - | - | 579,118,997 | 579,118,997 | - |
| **Insurance liabilities** |  |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | - | - | - | 644,933,444 | 644,933,444 | - |
| Due to reinsurers | - | - | - | - | 674,431,561 | 674,431,561 | - |

1. Equity position risk

Equity position risk is the risk that change in the market prices of equity securities will result in fluctuations in revenues and in the value of assets.

As at 31 December 2019 and 2018, the Company has risk from its investments in securities of which the price will change with reference to market conditions.

**34.4 Liquidity risk**

Liquidity risk is the risk that the Company will be unable to liquidate its assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the occurrence of a financial loss.

The Company policies of management of liquidity risk are as follows:

a. The Company invests in securities that are liquid, such as government sector securities or private sector securities with a low credit risk. It also spreads its investment funding and balances the portfolio, taking into account time horizons and fund needs to pay and meet obligations, management of accounts receivable, accounts payable, the period to maturity of assets and changes in the value of assets, given that, the maturity structure of assets and liabilities is in the appropriate level both volume and period, and correspond to external and internal circumstances surrounding the Company.

b. Adequate shareholders’ equity is maintained to cover liabilities and to manage exposure to business and operation risks. Other funding sources with high liquidity should also be secured as contingency plan.

c. Responsibilities and lines of reporting to those who manage liquidity risk are clearly defined and a reporting system has been established to generate an early warning report for executives on transactions that do not conform to the Company’s policy and to promptly, timely and accurately report warning signs of key risk indicators.

Counting from the financial position date, the periods to maturity of assets and liabilities held as at 31 December 2019 and 2018 are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | Financial statements in which the equity method is applied | | | | | |
|  | 2019 | | | | | |
|  | At call | Within 1 year | 1 - 5 years | Over 5 years | Unspecified | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 139,334,681 | - | - | - | 312,000 | 139,646,681 |
| Investments in securities | 1,065,829,104 | 1,528,078,504 | 308,172,244 | - | 142,105,795 | 3,044,185,647 |
| Loans | - | 149,370 | 800,476 | - | - | 949,846 |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | 460,188,833 | - | - | - | 460,188,833 |
| Reinsurance assets - claim reserves | - | 238,081,711 | 51,920,462 | 8,790,193 | - | 298,792,366 |
| Reinsurance receivables | - | 532,731,843 | - | - | - | 532,731,843 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | 768,724,410 | 157,158,358 | 12,544,046 | - | 938,426,814 |
| Due to reinsurers | - | 761,022,233 | - | - | - | 761,022,233 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | Financial statements in which the equity method is applied | | | | | |
|  | 2018 | | | | | |
|  | At call | Within 1 year | 1 - 5 years | Over 5 years | Unspecified | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 119,131,830 | - | - | - | 312,000 | 119,443,830 |
| Investments in securities | 968,757,725 | 1,105,887,097 | 604,073,205 | - | 142,105,795 | 2,820,823,822 |
| Loans | - | 78,656 | 266,083 | 247,337 | - | 592,076 |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | 441,292,191 | - | - | - | 441,292,191 |
| Reinsurance assets - claim reserves | - | 89,766,620 | 19,997,438 | 3,575,481 | - | 113,339,539 |
| Reinsurance receivables | - | 579,118,997 | - | - | - | 579,118,997 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | 528,240,945 | 107,372,959 | 9,319,540 | - | 644,933,444 |
| Due to reinsurers | - | 674,431,561 | - | - | - | 674,431,561 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | Separate financial statements | | | | | |
|  | 2019 | | | | | |
|  | At call | Within 1 year | 1 - 5 years | Over 5 years | Unspecified | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 139,334,681 | - | - | - | 312,000 | 139,646,681 |
| Investments in securities | 1,065,829,104 | 1,528,078,504 | 308,172,244 | - | 86,881,200 | 2,988,961,052 |
| Loans | - | 149,370 | 800,476 | - | - | 949,846 |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | 460,188,833 | - | - | - | 460,188,833 |
| Reinsurance assets - claim reserves | - | 238,081,711 | 51,920,462 | 8,790,193 | - | 298,792,366 |
| Reinsurance receivables | - | 532,731,843 | - | - | - | 532,731,843 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | 768,724,410 | 157,158,358 | 12,544,046 | - | 938,426,814 |
| Due to reinsurers | - | 761,022,233 | - | - | - | 761,022,233 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | Separate financial statements | | | | | |
|  | 2018 | | | | | |
|  | At call | Within 1 year | 1 - 5 years | Over 5 years | Unspecified | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 119,131,830 | - | - | - | 312,000 | 119,443,830 |
| Investments in securities | 968,757,725 | 1,105,887,097 | 604,073,205 | - | 86,881,200 | 2,765,599,227 |
| Loans | - | 78,656 | 266,083 | 247,337 | - | 592,076 |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | 441,292,191 | - | - | - | 441,292,191 |
| Reinsurance assets - claim reserves | - | 89,766,620 | 19,997,438 | 3,575,481 | - | 113,339,539 |
| Reinsurance receivables | - | 579,118,997 | - | - | - | 579,118,997 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | 528,240,945 | 107,372,959 | 9,319,540 | - | 644,933,444 |
| Due to reinsurers | - | 674,431,561 | - | - | - | 674,431,561 |

**34.5 Fair value measurement for financial assets**

As at 31 December 2019 and 2018, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but has to disclose fair value, using different levels of inputs as follows:

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | |
|  | 2019 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Trading investments |  |  |  |  |  |
| Government and state enterprise securities | 5,440,000 | - | - | 5,440,000 | 5,440,000 |
| Equity securities | 604,002,767 | - | - | 604,002,767 | 604,002,767 |
| Available-for-sale investments |  |  |  |  |  |
| Government and state enterprise securities | 15,975,562 | 661,775,376 | - | 677,750,938 | 677,750,938 |
| Private debt securities | - | 679,475,371 | - | 679,475,371 | 679,475,371 |
| Equity securities | 388,398,492 | 52,012,284 | - | 440,410,776 | 440,410,776 |
| **Financial assets which fair value**  **are disclosed** |  |  |  |  |  |
| Cash and cash equivalents | 139,646,681 | - | - | 139,646,681 | 139,646,681 |
| Held to maturity investments |  |  |  |  |  |
| Government and state enterprise securities | - | 10,107,327 | - | 10,107,327 | 10,000,000 |
| Deposits and certificates deposits at financial institutions | - | 485,000,000 | - | 485,000,000 | 485,000,000 |
| Other investments | - | - | 271,904,889 | 271,904,889 | 142,105,795 |
| Loans | - | - | 949,846 | 949,846 | 949,846 |

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | |
|  | 2018 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Available-for-sale investments |  |  |  |  |  |
| Government and state enterprise securities | 18,225,851 | 395,812,370 | - | 414,038,221 | 414,038,221 |
| Private debt securities | - | 724,147,933 | - | 724,147,933 | 724,147,933 |
| Equity securities | 898,895,627 | 51,636,246 | - | 950,531,873 | 950,531,873 |
| **Financial assets which fair value**  **are disclosed** |  |  |  |  |  |
| Cash and cash equivalents | 119,443,830 | - | - | 119,443,830 | 119,443,830 |
| Held to maturity investments |  |  |  |  |  |
| Government and state enterprise securities | - | 9,961,252 | - | 9,961,252 | 10,000,000 |
| Deposits and certificates deposits at financial institutions | - | 580,000,000 | - | 580,000,000 | 580,000,000 |
| Other investments | - | - | 271,224,772 | 271,224,772 | 142,105,795 |
| Loans | - | - | 592,076 | 592,076 | 592,076 |

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | |
|  | 2019 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Trading investments |  |  |  |  |  |
| Government and state enterprise securities | 5,440,000 | - | - | 5,440,000 | 5,440,000 |
| Equity securities | 604,002,767 | - | - | 604,002,767 | 604,002,767 |
| Available-for-sale investments |  |  |  |  |  |
| Government and state enterprise securities | 15,975,562 | 661,775,376 | - | 677,750,938 | 677,750,938 |
| Private debt securities | - | 679,475,371 | - | 679,475,371 | 679,475,371 |
| Equity securities | 388,398,492 | 52,012,284 | - | 440,410,776 | 440,410,776 |
| **Financial assets which fair value**  **are disclosed** |  |  |  |  |  |
| Cash and cash equivalents | 139,646,681 | - | - | 139,646,681 | 139,646,681 |
| Held to maturity investments |  |  |  |  |  |
| Government and state enterprise securities | - | 10,107,327 | - | 10,107,327 | 10,000,000 |
| Deposits and certificates deposits at financial institutions | - | 485,000,000 | - | 485,000,000 | 485,000,000 |
| Other investments | - | - | 271,904,889 | 271,904,889 | 86,881,200 |
| Loans | - | - | 949,846 | 949,846 | 949,846 |

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | |
|  | 2018 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Available-for-sale investments |  |  |  |  |  |
| Government and state enterprise securities | 18,225,851 | 395,812,370 | - | 414,038,221 | 414,038,221 |
| Private debt securities | - | 724,147,933 | - | 724,147,933 | 724,147,933 |
| Equity securities | 898,895,627 | 51,636,246 | - | 950,531,873 | 950,531,873 |
| **Financial assets which fair value**  **are disclosed** |  |  |  |  |  |
| Cash and cash equivalents | 119,443,830 | - | - | 119,443,830 | 119,443,830 |
| Held to maturity investments |  |  |  |  |  |
| Government and state enterprise securities | - | 9,961,252 | - | 9,961,252 | 10,000,000 |
| Deposits and certificates deposits at financial institutions | - | 580,000,000 | - | 580,000,000 | 580,000,000 |
| Other investments | - | - | 271,224,772 | 271,224,772 | 86,881,200 |
| Loans | - | - | 592,076 | 592,076 | 592,076 |

The fair value hierarchy of financial assets as at 31 December 2019 and 2018 presents according to Note 4.21 to financial statements.

The method used for fair value measurement depends upon the characteristics of the financial assets. The Company establishes the fair value of its financial assets by adopting the following methods:

(a) Financial assets maturing in the short-term, which consist of cash and cash equivalents and deposit at financial institutions, their fair value is estimated based on the book value presented in the statements of financial position.

(b) For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

(c) For equity securities, their fair value is generally derived from quoted market prices. For investments in non-marketable equity securities, their fair value is determined using discounted price per book value approach, discounting expected future cash flow by rate of return and related risks approach, or net book value approach.

(d) The fair value of fixed rate loans is determined by discounting the expected future cash flows by using the current market interest rate.

**35. Capital management**

The primary objectives of the Company’s capital management is to ensure that it preserves ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the OIC.

**36. Event after the reporting period**

On 25 February 2020, a meeting of the Board of Directors passed the following resolutions to propose to the Annual General Meeting of shareholders:

1. Approve an increase of the Company’s registered capital from Baht 350 million to be Baht 360 million to be divided into 36 million shares with the par value at 10 Baht per share, by newly issue the ordinary shares in amount of 1 million shares with the par value at 10 Baht to support the stock dividend payment.

2. Approve the allocation of profits for cash dividend and stock dividend payment approximately Baht 45 million, as follows:

2.1 Cash dividend will be paid at the rate of Baht 1 per share for the 35 million existing shares, totaling Baht 35 million. Payment is scheduled to be made on 19 May 2020.

2.2 Stock dividend will be paid at the ratio of 35 existing shares per 1 stock dividend, totaling of the stock dividend payment at 1 million shares, at par value Baht 10, totaling Baht 10 million or equivalent to Baht 0.29 per share. In case that any shareholders hold the indivisible share remaining after such allocated, cash will be paid instead of the stock dividend at the rate of Baht 0.29 per share.

2.3 Approve to allocate indivisible share remaining after such allocated the stock dividend to the registered Navakij Insurance Provident Fund.

**37. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 25 February 2020.