
Sompo Insurance (Thailand) Public Company Limited
Review report and interim financial statements
30 September 2019

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Sompoo Insurance (Thailand) Public Company Limited

I have reviewed the accompanying statement of financial position of Sompoo Insurance (Thailand) Public Company Limited as at 30 September 2019, the related statements of income and comprehensive income for the three-month and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 14 November 2019

Sompo Insurance (Thailand) Public Company Limited**Statement of financial position****As at 30 September 2019**

		(Unit: Baht)	
	Note	30 September 2019	31 December 2018
		(Unaudited but reviewed)	(Audited)
Assets			
Cash and cash equivalents	3	517,876,198	148,221,962
Premium receivables	4	388,816,992	478,719,979
Accrued investment income		10,782,864	7,598,285
Reinsurance assets	5	1,661,604,740	1,682,255,871
Receivables from reinsurance contracts	6	42,174,185	85,866,433
Investment assets - Investments in securities	7	1,677,709,610	1,742,019,594
Equipment	8	31,444,958	39,292,604
Intangible assets	9	26,209,694	26,128,178
Deferred tax assets	10	4,487,811	4,619,859
Amounts due from related companies		811,517	659,554
Prepaid premium ceded		86,852,601	95,383,461
Other assets	11	309,138,892	224,000,263
Total assets		4,757,910,062	4,534,766,043

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

Sompo Insurance (Thailand) Public Company Limited

Statement of financial position (continued)

As at 30 September 2019

(Unit: Baht)

	Note	30 September 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Liabilities and equity			
Liabilities			
Insurance contract liabilities	12	2,468,300,449	2,552,422,348
Due to reinsurers	13	1,093,979,442	865,617,941
Employee benefit obligations	14	27,123,216	20,983,176
Liabilities under finance lease agreements		357,290	1,295,373
Amounts due to related companies		17,605,978	29,134,896
Premium received in advance		91,287,415	86,527,919
Accrued commission		34,413,159	40,553,047
Others liabilities		118,220,261	127,590,812
Total liabilities		3,851,287,210	3,724,125,512
Equity			
Share capital			
Registered			
31,200,200 ordinary shares of Baht 100 each		3,120,020,000	3,120,020,000
Issued and paid-up			
31,200,200 ordinary shares of Baht 100 each		3,120,020,000	3,120,020,000
Retained earnings			
Appropriated - statutory reserve		8,881,806	8,881,806
Unappropriated (deficits)		(2,227,544,476)	(2,318,086,575)
Other components of equity	7.2	5,265,522	(174,700)
Total equity		906,622,852	810,640,531
Total liabilities and equity		4,757,910,062	4,534,766,043

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



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Directors

บริษัท ซอมโป ประกันภัย (ประเทศไทย) จำกัด (มหาชน)
Sompo Insurance (Thailand) Public Company Limited

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited**Statement of income****For the three-month period ended 30 September 2019**

	Note	2019	2018
(Unit: Baht)			
Income			
Gross premium written		784,700,616	704,533,460
Less: Premium ceded to reinsurers		(594,477,045)	(496,670,589)
Net premium written		190,223,571	207,862,871
Add: Unearned premium reserves decreased from prior period		22,112,342	41,634,948
Net earned premium		212,335,913	249,497,819
Fee and commission income from reinsurers		144,909,495	151,283,627
Net investment income		10,430,684	10,718,027
Gain (loss) from investments		17,096	(1,755)
Other income		1,876,889	4,031
Total income		369,570,077	411,501,749
Expenses			
Gross claim and loss adjustment expenses		232,616,843	265,313,605
Less: Claim recovery from reinsurers		(90,426,634)	(80,939,542)
Commission and brokerage expenses		96,122,492	97,730,692
Other underwriting expenses		39,583,209	33,954,562
Operating expenses	15	79,805,137	68,243,719
Total expenses		357,701,047	384,303,036
Profit before income tax		11,869,030	27,198,713
Add: Income tax benefits	10	640,030	247,438
Profit for the period		12,509,060	27,446,151
Earnings per share	16		
Basic earnings per share		0.40	0.88

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of comprehensive income

For the three-month period ended 30 September 2019

	(Unit: Baht)	
	2019	2018
Profit for the period	<u>12,509,060</u>	<u>27,446,151</u>
Other comprehensive income:		
Other comprehensive income to be reclassified to statement of income in subsequent periods		
Gain (loss) on change in value of available-for-sale investments	3,554,221	(4,314,028)
Add (less): Income tax effect	<u>(710,844)</u>	<u>862,806</u>
Other comprehensive income to be reclassified to statement of income in subsequent periods - net of tax (loss)	<u>2,843,377</u>	<u>(3,451,222)</u>
Total comprehensive income for the period	<u><u>15,352,437</u></u>	<u><u>23,994,929</u></u>

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of income

For the nine-month period ended 30 September 2019

	Note	2019	2018
(Unit: Baht)			
Income			
Gross premium written		2,219,664,597	2,237,572,637
Less: Premium ceded to reinsurers		(1,606,056,547)	(1,568,824,132)
Net premium written		613,608,050	668,748,505
Add: Unearned premium reserves			
decreased from prior period		50,403,579	146,031,377
Net earned premium		664,011,629	814,779,882
Fee and commission income from reinsurers		413,903,277	441,539,509
Net investment income		29,831,951	30,474,685
Gain (loss) from investments		11,907	(32,927)
Other income		6,907,577	4,624,929
Total income		1,114,666,341	1,291,386,078
Expenses			
Gross claim and loss adjustment expenses		685,271,021	877,652,653
Less: Claim recovery from reinsurers		(256,142,491)	(269,832,848)
Commission and brokerage expenses		286,851,123	302,583,159
Other underwriting expenses		87,779,455	92,383,785
Operating expenses	15	221,165,104	198,270,337
Total expenses		1,024,924,212	1,201,057,086
Profit before income tax		89,742,129	90,328,992
Add: Income tax benefit	10	799,970	688,314
Profit for the period		90,542,099	91,017,306
Earnings per share	16		
Basic earnings per share		2.90	2.92

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of comprehensive income

For the nine-month period ended 30 September 2019

	(Unit: Baht)	
	2019	2018
Profit for the period	<u>90,542,099</u>	<u>91,017,306</u>
Other comprehensive income:		
Other comprehensive income to be reclassified to statement of income in subsequent periods		
Gain (loss) on change in value of available-for-sale investments	6,800,278	(5,949,598)
Add (less): Income tax effect	<u>(1,360,056)</u>	<u>1,189,920</u>
Other comprehensive income to be reclassified to statement of income in subsequent periods - net of tax (loss)	<u>5,440,222</u>	<u>(4,759,678)</u>
Total comprehensive income for the period	<u><u>95,982,321</u></u>	<u><u>86,257,628</u></u>

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

(Unaudited but reviewed)

Sampo Insurance (Thailand) Public Company Limited

Statement of changes in equity

For the nine-month period ended 30 September 2019

(Unit: Baht)

	Issued and paid up share capital	Retained earnings		Other components of equity	Total
		Appropriated - statutory reserve	Unappropriated (Deficits)		
Balance as at 1 January 2018	3,120,020,000	8,881,806	(2,336,596,764)	3,984,518	796,289,560
Profit for the period	-	-	91,017,306	-	91,017,306
Other comprehensive income for the period (loss)	-	-	-	(4,759,678)	(4,759,678)
Total comprehensive income for the period (loss)	-	-	91,017,306	(4,759,678)	86,257,628
Balance as at 30 September 2018	3,120,020,000	8,881,806	(2,245,579,458)	(775,160)	882,547,188
Balance as at 1 January 2019	3,120,020,000	8,881,806	(2,318,086,575)	(174,700)	810,640,531
Profit for the period	-	-	90,542,099	-	90,542,099
Other comprehensive income for the period	-	-	-	5,440,222	5,440,222
Total comprehensive income for the period	-	-	90,542,099	5,440,222	95,982,321
Balance as at 30 September 2019	3,120,020,000	8,881,806	(2,227,544,476)	5,265,522	906,622,852

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of cash flows

For the nine-month period ended 30 September 2019

	(Unit: Baht)	
	2019	2018
Cash flows from (used in) operating activities		
Direct premium written	2,175,306,647	2,302,317,335
Cash paid for reinsurance	(416,564,410)	(850,869,697)
Interest income	26,644,279	28,011,212
Dividend income	15,000	15,000
Other income	8,812,039	4,557,994
Loss incurred on direct insurance	(834,327,213)	(868,655,992)
Commission and brokerage expenses on direct insurance	(268,496,712)	(280,076,973)
Other underwriting expenses	(92,669,614)	(101,543,406)
Operating expenses	(293,331,970)	(276,635,856)
Investments in securities	69,750,207	216,203,797
Net cash flow from operating activities	375,138,253	173,323,414
Cash flows from (used in) investing activities		
Cash receipt from sales of equipment	1,108,294	50,000
Cash paid for purchase of equipment	(5,326,295)	(5,554,801)
Cash paid for purchase of intangible assets	(1,266,016)	(42,566,536)
Net cash flows used in investing activities	(5,484,017)	(48,071,337)
Net increased in cash and cash equivalents	369,654,236	125,252,077
Cash and cash equivalents at beginning of period	148,221,962	291,456,343
Cash and cash equivalents at end of period	517,876,198	416,708,420

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

Sompo Insurance (Thailand) Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2019

1. General information

Sompo Insurance (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Sompo Japan Nipponkoa Insurance Inc. which was incorporated in Japan. The Company is principally engaged in the provision of non-life insurance and its registered address is 990 Abdulrahim Place 12th and 14th Floor, Rama 4 Road, Silom, Bangrak, Bangkok.

2. Basis for the preparation of the financial statements

2.1 Basis for the preparation of the interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented each line items in the statement of financial position, income, comprehensive income, changes in equity and cash flows in the same format as that used in its preparation of the annual financial statements, and in accordance with the format of financial statements specified in the notification of the Office of Insurance Commission (“OIC”) regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

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

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

2.2 New financial reporting standards

(a) Financial reporting standards that became effective in the current period

During the period, the Company have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal period 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:

IFRS 15 Revenue from Contracts with Customers

IFRS 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 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 current period's financial statements and the Company's management is currently considering the option as discussed above.

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years 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
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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

This accounting guidance allows to use a temporary exemption from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures which effective in 2020. 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 is currently evaluating the impact of the financial reporting standards related to financial instruments on the financial statements in the year when they are adopted, and considering the alternatives allowed under the accounting guidance.

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

2.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as those were applied in the financial statements for the year ended 31 December 2018.

3. Cash and cash equivalents

	(Unit: Baht)	
	30 September 2019	31 December 2018
Cash on hand	31,000	21,000
Deposits at banks with no fixed maturity date	517,845,198	148,200,962
Cash and cash equivalents	<u>517,876,198</u>	<u>148,221,962</u>

As at 30 September 2019, bank deposits in saving account carried interest between 0.10 and 1.00 percent per annum (31 December 2018: 0.10 and 1.00 percent per annum).

4. Premium receivables

The balances as at 30 September 2019 and 31 December 2018 of premium receivables which due from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	30 September 2019	31 December 2018
Not yet due	221,438,561	384,904,425
Not over 30 days	54,365,940	60,820,694
Over 31 days to 60 days	77,232,593	22,784,395
Over 61 days to 90 days	14,778,468	4,735,330
Over 91 days - 1 year	21,013,368	5,854,134
Over 1 year	367,061	-
Total	389,195,991	479,098,978
Less: Allowance for doubtful accounts	(378,999)	(378,999)
Total premium receivables - net	388,816,992	478,719,979

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.

5. Reinsurance assets

	(Unit: Baht)	
	30 September 2019	31 December 2018
Insurance recoverable from insurance companies		
- Loss reserves	681,258,685	844,986,923
- Unearned premium reserves	980,346,055	837,268,948
Total reinsurance assets	1,661,604,740	1,682,255,871

6. Receivables from reinsurance contracts

	(Unit: Baht)	
	30 September 2019	31 December 2018
Amounts due from reinsurers	42,174,185	85,866,433
Total receivables from reinsurance contracts	42,174,185	85,866,433

(Unaudited but reviewed)

The balances as at 30 September 2019 and 31 December 2018 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	30 September 2019	31 December 2018
Not yet due	32,565,080	48,220,667
Not over 1 year	9,575,126	37,309,280
Over 1 year to 2 years	30,827	336,476
Over 2 years	3,152	10
Total amounts due from reinsurers	42,174,185	85,866,433

7. Investments in securities

7.1 Classified by type of investments

	(Unit: Baht)			
	30 September 2019		31 December 2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	14,950,378	14,982,614	7,007,425	7,003,203
Private debt securities	686,339,795	692,889,462	650,784,167	650,570,014
Total	701,290,173	707,872,076	657,791,592	657,573,217
Add (less): Unrealised gain (loss)	6,581,903		(218,375)	
Total available-for-sale investments	707,872,076		657,573,217	
Held-to-maturity investments				
Government and state enterprise securities	310,332,966		367,928,585	
Private debt securities	190,000,000		305,000,000	
Saving lottery	26,700,000		26,700,000	
Deposits at financial institutions	442,008,402		384,021,626	
Total held-to-maturity investments	969,041,368		1,083,650,211	
Other investments				
Equity securities	2,693,910		2,693,910	
Less: Allowance for impairment	(1,897,744)		(1,897,744)	
Total other investments	796,166		796,166	
Total investments in securities, net	1,677,709,610		1,742,019,594	

7.2 Other components of equity - revaluation surplus (deficit) on change in value of investments

(Unit: Baht)

	For the nine-month period ended 30 September 2019	For the year ended 31 December 2018
Balance - beginning of the period	(174,700)	3,984,518
Change during the period		
Unrealised gain (loss) during the period	6,812,185	(5,204,293)
Realised loss (gain) included in statement of income	(11,907)	5,270
Other comprehensive income (loss)	6,800,278	(5,199,023)
Related income tax	(1,360,056)	1,039,805
Net comprehensive income for the period (loss)	5,440,222	(4,159,218)
Balance - end of the period	5,265,522	(174,700)

7.3 Investment subject to restriction

As at 30 September 2019, the Company has pledged saving lottery of Baht 2.0 million (31 December 2018: Baht 1.7 million) as bail bond in case of where insured drivers have been charged with criminal offence. In addition, certain government bonds which have cost of Baht 214.5 million (31 December 2018: Baht 214.5 million) has been pledged and reserved with the Registrar in accordance with the Non-life Insurance Act as disclosed in Notes 18 and 19.

8. Equipment

(Unit: Baht)

	Leasehold improvement	Office equipment	Motor vehicles	Total
Net book value as at 1 January 2019	7,954,922	30,733,969	603,713	39,292,604
Acquisition during the period - at cost	337,070	2,964,119	-	3,301,189
Disposal during the period - net book value	-	(8)	(971)	(979)
Depreciation charge for the period	(2,181,172)	(8,712,667)	(254,017)	(11,147,856)
Net book value as at 30 September 2019	6,110,820	24,985,413	348,725	31,444,958

9. Intangible assets

(Unit: Baht)

	Computer software	Rights under the Bancassurance agreement	Total
Net book value as at 1 January 2019	11,117,652	15,010,526	26,128,178
Acquisition during the period - at cost	1,266,016	-	1,266,016
Amortisation charge for period	(1,184,500)	-	(1,184,500)
Net book value as at 30 September 2019	11,199,168	15,010,526	26,209,694

10. Deferred tax assets / income tax expenses**10.1 Deferred tax assets/liabilities**

The components of deferred tax assets and deferred tax liabilities as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
(Unit: Baht)		
Deferred tax assets		
Allowance for loss on impairment of investments in securities	379,549	379,549
Post employee benefit obligations	5,424,643	4,196,635
Unrealised loss on change in value of available-for-sale investments	-	43,675
Total	5,804,192	4,619,859
Deferred tax liabilities		
Unrealised gain on change in value of available-for-sale investments	1,316,381	-
Total	1,316,381	-
Deferred tax assets - net	4,487,811	4,619,859

As at 30 September 2019, the Company has temporary differences available to be utilised as tax deductions in the future of Baht 504.6 million (31 December 2018: unused tax loss of Baht 117.1 million and temporary differences for tax deductions of Baht 486.1 million). The Company did not record deferred tax assets since the Company's assessment is that there may not be sufficient taxable profit available in the future to utilise these items.

10.2 Income tax expenses

Income tax expenses for the three-month and nine-month periods ended 30 September 2019 and 2018 are as follows:

	(Unit: Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge for the period	(587,085)	-	428,038	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(52,945)	(247,438)	(1,228,008)	(688,314)
Income tax benefit reported in the statement of income	(640,030)	(247,438)	(799,970)	(688,314)

The reconciliations between income tax expense (benefit) and the product of accounting profit for the three-month and nine-month periods ended 30 September 2019 and 2018 and the applicable tax rate are as follows:

	(Unit: Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Accounting profit before income tax	11,869,030	27,198,713	89,742,129	90,328,992
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	2,373,806	5,439,742	17,948,426	18,065,798
Tax loss incurred (utilised) during period	-	(1,297,466)	(23,414,279)	6,480,134
Temporary differences not recognised as deferred tax	(3,038,671)	(4,367,781)	3,789,315	(25,216,805)
Exempted income and non-deductible expenses	24,835	(21,933)	876,568	(17,441)
Income tax benefit reported in the statement of income	(640,030)	(247,438)	(799,970)	(688,314)

(Unaudited but reviewed)

11. Other assets

(Unit: Baht)

	30 September 2019	31 December 2018
Revenue Department receivable	125,848,522	118,940,179
Suspense input tax	44,532,009	20,747,693
Deposits on rice field insurance scheme	73,043,012	16,471,038
Others	65,715,349	67,841,353
Total other assets	<u>309,138,892</u>	<u>224,000,263</u>

12. Insurance contract liabilities

(Unit: Baht)

	30 September 2019		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claim incurred and reported	759,269,718	(557,426,911)	201,842,807
- Claim incurred but not reported	264,056,073	(123,831,774)	140,224,299
Unearned premium reserves	<u>1,444,974,658</u>	<u>(980,346,055)</u>	<u>464,628,603</u>
Total	<u>2,468,300,449</u>	<u>(1,661,604,740)</u>	<u>806,695,709</u>

(Unit: Baht)

	31 December 2018		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claim incurred and reported	1,004,810,134	(768,391,465)	236,418,669
- Claim incurred but not reported	195,311,084	(76,595,458)	118,715,626
Unearned premium reserves	<u>1,352,301,130</u>	<u>(837,268,948)</u>	<u>515,032,182</u>
Total	<u>2,552,422,348</u>	<u>(1,682,255,871)</u>	<u>870,166,477</u>

12.1 Loss reserves

(Unit: Baht)

	For the nine-month period ended 30 September 2019	For the year ended 31 December 2018
Beginning balance	1,200,121,218	832,593,230
Claim expenses for the period	645,193,772	1,774,780,348
Change in loss reserves of prior period's claim	3,135,889	(325,871,729)
Change in assumption in calculating loss reserves	-	71,565,451
Claim paid during the period	(825,125,088)	(1,152,946,082)
Ending balance	<u>1,023,325,791</u>	<u>1,200,121,218</u>

As at 30 September 2019, the Company has loss reserves and outstanding claim under reinsurance contracts amounting to Baht 198.2 million (31 December 2018: Baht 203.1 million).

12.2 Unearned premium reserves

(Unit: Baht)

	For the nine-month period ended 30 September 2019	For the year ended 31 December 2018
Beginning balance	1,352,301,130	1,515,724,641
Premium written for the period	2,219,664,597	2,863,493,281
Premium earned for the current period	(2,126,991,069)	(3,026,916,792)
Ending balance	<u>1,444,974,658</u>	<u>1,352,301,130</u>

13. Due to reinsurers

(Unit: Baht)

	30 September 2019	31 December 2018
Amounts withheld on reinsurance	549,263,322	541,577,759
Other reinsurance payable	544,716,120	324,040,182
Total due to reinsurers	<u>1,093,979,442</u>	<u>865,617,941</u>

14. Employee benefit obligations

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

	(Unit: Baht)	
	For the nine-month period ended	For the year ended
	<u>30 September 2019</u>	<u>31 December 2018</u>
Provision for long-term employee benefits		
at beginning of the period	20,983,176	21,492,547
Current service cost	3,285,500	1,720,195
Interest cost	563,279	478,777
Past service cost	4,051,461	-
Actuarial gain	-	(2,512,543)
Benefits paid during the period	<u>(1,760,200)</u>	<u>(195,800)</u>
Provision for long-term employee benefits		
at end of the period	<u>27,123,216</u>	<u>20,983,176</u>

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 4.1 million as a result. The Company has reflected the effect of the change by recognising past service costs as expenses in the statement of income of this period.

15. Operating expenses

	(Unit: Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Personnel expenses	49,222,445	40,570,860	139,858,921	122,748,867
Premises and equipment expenses	11,634,104	11,366,415	33,435,438	31,911,559
Taxes and duties	(597,389)	3,001,077	192,463	3,528,644
Bad debt	5,744	49,917	17,390	49,917
Other operating expenses	<u>19,540,233</u>	<u>13,255,450</u>	<u>47,660,892</u>	<u>40,031,350</u>
Total operating expenses	<u>79,805,137</u>	<u>68,243,719</u>	<u>221,165,104</u>	<u>198,270,337</u>

(Unaudited but reviewed)

16. Earnings per share

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

17. Related party transactions

During the periods, the Company had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course business between the Company and those parties are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Transfer pricing policy
	2019	2018	2019	2018	
Transactions with related companies					
Premium ceded	338.5	296.0	1,009.4	988.1	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission received	103.3	111.7	308.1	320.1	Reinsurance rate depending on type of insurance and reinsurance contract
Commission paid on direct insurance	27.0	24.7	92.7	80.7	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery	6.0	32.9	117.3	132.7	According to terms of reinsurance contracts depending on type of insurance and reinsurance

The outstanding balances with related parties as at 30 September 2019 and 31 December 2018 are included in the following accounts.

(Unit: Million Baht)

	30 September 2019	31 December 2018
Transactions with related companies		
Premium receivables	115.7	166.1
Receivables from reinsurance contracts	5.3	10.5
Amounts due from related companies	0.8	0.7
Amounts withheld on reinsurance	429.5	470.1
Amounts due to reinsurance	287.9	188.4
Amounts due to related companies - accrued commission	17.6	29.1

Directors and management's remuneration

During the three-month and nine-month periods ended 30 September 2019 and 2018, the Company had employment benefit expenses of its directors and management personnel as following.

(Unit: Million Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Short-term benefits	6.7	3.8	19.7	11.5
Long-term benefits	0.2	0.2	1.1	0.5
Total	6.9	4.0	20.8	12.0

18. Assets pledged with the Registrar

As at 30 September 2019 and 31 December 2018, the following assets have been pledged with the Registrar in accordance with the Non-Life Insurance Act.

(Unit: Baht)

	30 September 2019		31 December 2018	
	Cost/		Cost/	
	amortised cost	Fair value	amortised cost	Fair value
Government bonds	18,778,146	22,100,811	18,761,140	20,716,457

19. Assets reserved with the Registrar

As at 30 September 2019 and 31 December 2018, the following assets have been placed as policy reserves with the Registrar in accordance with the Non-Life Insurance Act.

(Unit: Baht)

	30 September 2019		31 December 2018	
	Cost/		Cost/	
	amortised cost	Fair value	amortised cost	Fair value
Government bonds	195,742,910	214,083,736	195,727,331	201,235,858

20. Commitments and contingent liabilities

20.1 Operating lease agreements

The Company has entered into several lease agreements in respect of the office rental and related service agreements. The terms of the agreements are generally between 1 and 5 years.

As at 30 September 2019 and 31 December 2018, future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

	(Baht: Million Baht)	
	<u>30 September 2019</u>	<u>31 December 2018</u>
Payable within:		
Within 1 year	23.5	18.8
1 to 5 years	25.4	27.3

20.2 Bank guarantees

As at 30 September 2019, there were outstanding bank guarantees of approximately Baht 2.6 million (31 December 2018: Baht 3.1 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

20.3 Litigation

As at 30 September 2019, the Company has been sued for damaged totaling approximately Baht 18.4 million (31 December 2018: Baht 124.8 million) as insurer. The total maximum sum insured per the relevant policy is Baht 185.5 million (31 December 2018: Baht 44.7 million). The outcomes of these cases have not yet finalised but the Company has recorded loss reserves for its contingent loss amounting to Baht 13.8 million (31 December 2018: Baht 18.6 million) in the financial statements.

21. Fair value of financial instruments

As at 30 September 2019 and 31 December 2018, the Company had the following financial assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	30 September 2019		31 December 2018	
	Level 2	Total	Level 2	Total
Available-for-sale investments				
Government and state enterprise securities	15.0	15.0	7.0	7.0
Private debt securities	692.9	692.9	650.6	650.6

Fair value of investments in government and state enterprise securities and private debt securities determined by using the yield curve as announced by the Thai Bond Market Association.

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 14 November 2019.