

## Report of Independent Auditor

To the Shareholders of Road Accident Victims Protection Company Limited

I have audited the accompanying balance sheet of Road Accident Victims Protection Company Limited as at 31 December 2009, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Road Accident Victims Protection Company Limited for the year ended 31 December 2008, as presented herein for comparative purposes, were audited by another auditor of our firm who expressed an unqualified opinion under his report dated 9 April 2009.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Road Accident Victims Protection Company Limited as at 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 23 March 2010

# Road Accident Victims Protection Company Limited

## Balance sheets

As at 31 December 2009 and 2008

			(Unit: Baht)
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Investments in securities			
Bonds		193,439,825	65,869,590
Treasury Bills		254,061,767	159,913,782
Notes		80,000,000	110,000,000
Debentures		111,139,591	101,360,920
Unit trusts		195,745,746	98,911,135
Total investments in securities	6	834,386,929	536,055,427
Loans to employees		12,467,190	11,283,874
Cash and deposits at financial institutions	7	599,192,935	629,327,729
Equipment - net	8	40,616,518	42,327,373
Premium due and uncollected	9	51,571,418	38,163,489
Accrued investment income		8,065,594	9,286,802
CMIP member receivable due to closure of CMIP accounts	10	-	8,262,271
Advanced claims - net	11, 12	124,762,656	137,003,933
Other assets			
RVP expense subsidies receivable - net	11, 13	56,191,103	54,691,136
Claim recovery from litigants		5,316,537	1,928,810
Intangible assets - net	14	6,125,787	4,343,995
Deposits		5,661,189	7,511,842
Others		12,978,005	11,366,661
<b>Total assets</b>		<u>1,757,335,861</u>	<u>1,491,553,342</u>

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

**Road Accident Victims Protection Company Limited**

**Balance sheets (continued)**

**As at 31 December 2009 and 2008**

			(Unit: Baht)
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Unearned premium reserves		575,423,740	465,924,967
Loss reserves and outstanding claims		654,186,414	481,596,733
Claim reserves received from insurance companies	11	101,207,754	130,370,063
Other liabilities			
Corporate income tax payable		24,014,663	25,983,995
Accrued expenses		32,006,569	14,756,875
Guarantee from insurance agents		23,980,370	12,507,595
CMIP member payable due to closure of CMIP accounts	10	-	27,990,667
Unallocated claim recovery from litigants to CMIP members		-	111,674,470
Others		46,865,712	16,025,734
<b>Total liabilities</b>		<u>1,457,685,222</u>	<u>1,286,831,099</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
10,000,000 ordinary shares of Baht 10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued and paid-up			
10,000,000 ordinary shares of Baht 10 each		100,000,000	100,000,000
Unrealised gain (loss)			
Surplus (deficit) on changes in values of investments	6	1,341,215	-5,093,821
Retained earnings		<u>198,309,424</u>	<u>109,816,064</u>
<b>Total shareholders' equity</b>		<u>299,650,639</u>	<u>204,722,243</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,757,335,861</u>	<u>1,491,553,342</u>

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

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Directors

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# Road Accident Victims Protection Company Limited

## Income statements

For the years ended 31 December 2009 and 2008

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Underwriting income</b>			
Net premium written		1,121,283,130	951,856,297
Unearned premium reserves (increase) decrease from previous year		(109,498,773)	12,548,848
<b>Earned premium written</b>		<u>1,011,784,357</u>	<u>964,405,145</u>
<b>Underwriting expenses</b>			
Losses incurred during the year		774,886,271	744,977,238
Losses adjustment expenses		53,525,276	46,046,288
Commissions and brokerages		33,826,121	33,019,364
Other underwriting expenses		50,685,555	39,532,961
<b>Total underwriting expenses</b>		<u>912,923,223</u>	<u>863,575,851</u>
<b>Income on underwriting</b>		98,861,134	100,829,294
<b>Net investment income</b>		37,991,741	31,417,464
<b>Losses on investments in securities</b>		(245,042)	(28,341,649)
<b>Other income</b>			
RVP expense subsidies	11	218,938,442	221,663,859
Others	11	65,754,450	25,329,897
<b>Total other income</b>		284,692,892	246,993,756
<b>Operating expenses</b>			
Personnel expenses		143,729,208	132,559,034
Premises and equipment expenses		62,743,195	58,314,782
Taxes and duties		2,006,422	1,756,407
Doubtful accounts		2,223,702	10,811,690
Directors' remuneration		853,000	717,000
Accident prevention campaign expenses		28,550,830	-
Other operating expenses		49,171,342	40,707,174
<b>Total operating expenses</b>		<u>289,277,699</u>	<u>244,866,087</u>
<b>Income before corporate income tax</b>		132,023,026	106,032,778
Corporate income tax		(43,529,666)	(36,888,235)
<b>Net income for the year</b>		<u>88,493,360</u>	<u>69,144,543</u>
<b>Basic earnings per share</b>	15		
Net income		<u>8.85</u>	<u>6.91</u>

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

**Road Accident Victims Protection Company Limited****Cash flow statements****For the years ended 31 December 2009 and 2008**

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Direct premium written	1,107,875,200	948,845,888
Cash received from unallocated claim recovery from litigants to CMIP members	-	93,046,282
Cash paid to CMIP members due to closure of CMIP accounts	(77,063,141)	-
Losses incurred of direct insurance	(620,277,517)	(761,678,684)
Claims paid from reinsurance	-	(1,661,989)
Loss adjustment expenses of direct insurance	(58,459,676)	(46,046,288)
Commissions and brokerages of direct insurance	(33,826,121)	(33,019,364)
Advanced claims	(17,541,314)	(6,119,837)
Contribution to Office of Accident Victim Fund	(14,623,578)	(11,625,790)
Other underwriting expenses	(34,241,826)	(27,159,446)
Net investment income	41,514,408	30,429,336
Claim reserves received from insurance companies	(29,162,309)	93,154,219
RVP expense subsidies	221,187,069	218,445,746
Other incomes	28,269,311	25,286,355
Operating expenses	(229,497,503)	(241,445,984)
Corporate income tax	(45,498,997)	(33,788,045)
<b>Net cash from operating activities</b>	<u>238,654,006</u>	<u>246,662,399</u>
<b>Cash flows from investing activities</b>		
Cash flows from		
Investments in securities	2,348,569,896	2,071,264,110
Equipment	1,153,075	120,724
Fixed deposits with original maturities of more than three months	473,609,429	383,605,504
Cash from investing activities	<u>2,823,332,400</u>	<u>2,454,990,338</u>

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

**Road Accident Victims Protection Company Limited****Cash flow statements (continued)****For the years ended 31 December 2009 and 2008**

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Cash flows used in		
Investments in securities	(2,594,668,171)	(2,095,572,950)
Equipment	(19,930,990)	(17,826,933)
Intangible assets	(3,912,610)	(2,262,117)
Fixed deposits with original maturities of more than three months	(423,612,672)	(613,609,429)
Cash used in investing activities	<u>(3,042,124,443)</u>	<u>(2,729,271,429)</u>
<b>Net cash used in investing activities</b>	<u>(218,792,043)</u>	<u>(274,281,091)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	19,861,963	(27,618,692)
Cash and cash equivalents at beginning of year	<u>75,718,300</u>	<u>103,336,992</u>
<b>Cash and cash equivalents at end of year (Note 16)</b>	<u><u>95,580,263</u></u>	<u><u>75,718,300</u></u>
<b>Non-cash item</b>		
Surplus (deficit) on changes in values of investments	6,435,036	(4,685,701)

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

**Road Accident Victims Protection Company Limited**

**Statements of changes in shareholders' equity**

**For the years ended 31 December 2009 and 2008**

(Unit: Baht)

	Issued and paid-up share capital	Surplus (deficit) on changes in values of investments	Retained earnings	Total
<b>Balance as at 31 December 2007</b>	100,000,000	(408,120)	40,671,521	140,263,401
<b>Income and expenses recognised directly in equity:</b>				
Investments in available-for-sale securities				
Loss recognised in shareholders' equity	-	(32,224,802)	-	(32,224,802)
Transferred to profit or loss due to disposals	-	27,539,101	-	27,539,101
<b>Net expenses recognised directly in equity</b>	-	(4,685,701)	-	(4,685,701)
Net income for the year	-	-	69,144,543	69,144,543
<b>Total income and expenses for the year</b>	-	(4,685,701)	69,144,543	64,458,842
<b>Balance as at 31 December 2008</b>	100,000,000	(5,093,821)	109,816,064	204,722,243
<b>Balance as at 31 December 2008</b>	100,000,000	(5,093,821)	109,816,064	204,722,243
<b>Income and expenses recognised directly in equity:</b>				
Investments in available-for-sale securities				
Gain recognised in shareholders' equity	-	4,103,899	-	4,103,899
Transferred to profit or loss due to disposals	-	2,331,137	-	2,331,137
<b>Net income recognised directly in equity</b>	-	6,435,036	-	6,435,036
Net income for the year	-	-	88,493,360	88,493,360
<b>Total income for the year</b>	-	6,435,036	88,493,360	94,928,396
<b>Balance as at 31 December 2009</b>	100,000,000	1,341,215	198,309,424	299,650,639

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

**Road Accident Victims Protection Company Limited**  
**Notes to financial statements**  
**For the years ended 31 December 2009 and 2008**

**1. General information**

**1.1 Corporate information**

Road Accident Victims Protection Company Limited (“the Company”) was registered as a company on 24 February 1998, in accordance with The Protection for Motor Vehicle Accident Victims Act B.E. 2535 amended by The Protection for Motor Vehicle Accident Victims Act (No.5) B.E. 2551. The Company’s business is to provide the claim services on behalf of the insurance industry in Thailand and on behalf of the Victim Compensation Fund. On 2 March 1999, the Cabinet approved the Company underwriting only compulsory motorcycle insurance under this Act.

The registered address is 44/1 Rongrojthanakul Building, 11th Floor, Ratchadapisek Road, Khwang Huaykwang, Khet Huaykwang, Bangkok.

**Compulsory motorcycle insurance pool**

On 5 June 2003, the Company was assigned to manage the compulsory motorcycle insurance pool (“CMIP”), which had been formed in accordance with the agreement signed by the 57 insurance companies (“the Members”), which are members of the General of Insurance Association, in accordance with the Reinsurance and Ceding Agreement. The objective of the agreement was to share the risk of motorcycle insurance among the Members based on the proportion of other motor insurance premium as announced by the Board of Directors of CMIP. The CMIP began operating on 1 July 2003.

At the Extraordinary General Meeting No. 2/2548 on 27 December 2005, the Members approved the cancellation of the compulsory motorcycle insurance pool, effective from 1 January 2006. Thus, the CMIP recorded the ceded premium received from the Company and the Members until 31 October 2005.



## **2. Basis of preparation**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, Thai accounting practices related to insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission.

The presentation of the financial statements has been made in compliance with the order of the Registrar dated 6 March 2002, issued under the Accounting Act B.E. 2543.

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

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

## **3. Adoption of new accounting standards**

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

### **3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year**

Framework for the Preparation and Presentation of Financial Statements  
(revised 2007)

TAS 36 (revised 2007)      Impairment of Assets

TFRS 5 (revised 2007)      Non-current Assets Held for Sale and Discontinued  
Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for Leasehold Right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007) do not have any significant impact on the financial statements for the current year.

### **3.2 Accounting standards which are not effective for the current year**

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **(a) Premium**

For insurance policies with coverage periods of up to one year, premium income is recognised on the date the insurance policy comes into effect, after deducting a premium ceded and cancelled.

(b) RVP expense subsidies

The RVP expense subsidies are funds received from the Company's shareholders who are the insurance companies, paid at the rate of 2% (since 1 July 2000) of motor insurance premium of the shareholders on a quarterly basis, in accordance with The Protection for Motor Vehicle Accident Victims Act B.E. 2535 amended by The Protection for Motor Vehicle Accident Victims Act (No. 3) B.E. 2540, and Announcement of Ministry of Commerce dated 22 November 2000.

Since 1 January 2004, the RVP expense subsidies have been charged at the rate of 2.25 % of motor insurance premium, in accordance with the Announcement of Ministry of Commerce dated 8 June 2004.

RVP expense subsidies are recognised on an accrual basis.

(c) Interest income and dividends

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

(d) Gains (losses) on sales of securities

Gains (losses) on sales of securities are recognized as income or expenses on a transaction date.

## **4.2 Investments in securities**

- (a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amounts of securities are included in determining income. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in the income statement.

- (c) 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 amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.

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

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

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

#### **4.3 Cash and cash equivalents**

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

#### **4.4 Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of equipment is calculated by reference to its cost on the straight-line basis over the following estimated useful lives:

Leasehold building improvements	-	5 years
Furniture, fixtures and office equipment	-	3 years and 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on assets under installation.

#### **4.5 Premium due and uncollected and allowance for doubtful accounts**

Premium due and uncollected is stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of premium due and uncollected. The allowance is generally based on collection experience and analysis of debt aging.

#### **4.6 Claim recovery from litigants and allowance for doubtful accounts**

Claim recovery from litigants is claims paid to victims in case where the litigants are in the wrong and the Company can thus subrogate their insured's right to recover from litigants' insurer which mostly are the Company's shareholders. The Company records claim recovery from litigants as an asset in the balance sheet when it has gathered and submitted complete evidence of its right to a refund to other insurance companies.

The allowance for doubtful account is provided for the estimated losses that may be incurred in the balance amount as at the year-end date. The allowance is generally based on collection experience and other factors.

#### **4.7 Intangible assets**

Acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

The useful life of computer software with finite useful life is 5 years.

#### **4.8 Unearned premium reserve**

Unearned premium reserve is set aside in compliance with the basis as specified in the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves of non-life insurance companies on monthly average basis (the one-twenty fourth basis).

#### **4.9 Loss reserve and outstanding claims**

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon the receipt of the claims advice from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy. In addition, the Company sets up a provision for losses incurred but not reported (IBNR) at 2.5% of net premiums written for the previous 12 months in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserve and loss reserve by the non-life insurance company. However, since 1 January 2009, the Company is to allocate IBNR according to the actuarial method, but it is not to be less than 2.5% of the total net written premium written on all types of risk in the twelve months prior to the allocation date.

#### **4.10 Claim reserves received from insurance companies**

Claim reserves received from insurance companies are charged in advance to the Company's shareholders and will be paid to victims in respect of claims and related expenses, on behalf of shareholders, in conformity with The Protection for Motor Vehicle Accident Victims Act B.E. 2535.

The Company collected a reserve for claims payments from its shareholders at the rate of 2 times the average amount of claims paid by the Company in advance. The details of allocation of claims payments are stipulated in the Announcement concerning "allocation of reserves for claims payments made by insurance companies B.E. 2549 (first amendment)".

#### **4.11 Commissions and brokerages**

Commissions and brokerages are expended when incurred.

#### **4.12 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

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

#### **4.13 Impairment of assets**

At each reporting date, the Company performs impairment reviews in respect of the equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

#### **4.14 Employee benefits**

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

#### **4.15 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.

#### **4.16 Income tax**

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

### **5. Significant accounting judgments and estimates**

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

#### **Leases**

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

#### **Allowance for doubtful accounts**

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

#### **Impairment of investments in securities**

The Company treats available-for-sale investments and held-to-maturity investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

#### **Equipment and depreciation**

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



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

### **Intangible assets**

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

### **Loss reserve and outstanding claims**

At each reporting date, the Company has to estimate loss reserve and outstanding claims taking into account two factors. These are the expected ultimate cost of claims reported at the balance sheet date, and the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers. To perform the calculation, it is necessary to perform analysis based on the type of insurance and to use the services of an actuary with expertise, experience, and an understanding of the insurance business and the Company's products.

Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

The Office of Insurance Commission ("OIC") permits members of the Company's management who have been authorized by the OIC to calculate and endorse loss reserve for IBNR.

## 6. Investments in securities

(Unit: Baht)

	2009		2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Trading securities</b>				
Equity securities - unit trusts	47,000,000	47,004,891	12,000,000	12,001,466
Unrealised gains on changes in the value of investments	4,891	-	1,466	-
<b>Total trading securities</b>	<u>47,004,891</u>	<u>47,004,891</u>	<u>12,001,466</u>	<u>12,001,466</u>
<b>Available-for-sales securities</b>				
Equity securities - unit trusts	147,399,640	148,740,855	92,003,490	86,909,669
Unrealised gains (losses) on changes in the value of investments	1,341,215	-	(5,093,821)	-
<b>Total available-for-sales securities</b>	<u>148,740,855</u>	<u>148,740,855</u>	<u>86,909,669</u>	<u>86,909,669</u>
<b>Held-to-maturity debt securities</b>				
Bonds	193,439,825		65,869,590	
Treasury bills	254,061,767		159,913,782	
Notes	80,000,000		110,000,000	
Debentures	111,139,591		101,360,920	
<b>Total held-to-maturity debt securities</b>	<u>638,641,183</u>		<u>437,144,292</u>	
<b>Total investments in securities</b>	<u>834,386,929</u>		<u>536,055,427</u>	

Investments in debt securities as at 31 December 2009 will be due as follows:

(Unit: Baht)

	Maturing within			
	1 year	1 - 5 years	Over 5 years	Total
<b>Held-to-maturity debt securities</b>				
Bonds	20,030,197	152,415,752	20,993,876	193,439,825
Treasury bills	198,467,863	55,593,904	-	254,061,767
Notes	80,000,000	-	-	80,000,000
Debentures	30,005,716	60,034,038	21,099,837	111,139,591
<b>Total</b>	<u>328,503,776</u>	<u>268,043,694</u>	<u>42,093,713</u>	<u>638,641,183</u>

## 7. Cash and deposits at financial institutions

	(Unit: Baht)	
	2009	2008
Cash on hand	2,357,000	2,330,000
Deposits at banks - current account	17,920,498	19,733,633
Deposits at banks - saving account	15,302,765	13,654,667
Deposits at financial institutions with maturity date	563,612,672	593,609,429
Total cash and deposits at financial institutions	<u>599,192,935</u>	<u>629,327,729</u>

As at 31 December 2009, the Company's bank deposits of approximately Baht 3.5 million (2008: Baht 3.5 million) have been pledged as securities with the Registrar of the Office of Insurance Commission under the Non-Life Insurance Act.

As at 31 December 2009, the Company's bank deposits of approximately Baht 30.0 million (2008: Baht 20.0 million) have been pledged as securities with banks in respect of certain performance bonds as required in the normal course of business.

## 8. Equipment

	(Unit: Baht)				
	Leasehold building improvements	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation	Total
<b>Cost</b>					
31 December 2008	31,080,228	103,412,775	10,555,066	280,790	145,328,859
Additions	1,221,860	18,916,624	1,577,180	94,754	21,810,418
Disposals	(287,209)	(1,910,630)	(100,000)	-	(2,297,839)
31 December 2009	<u>32,014,879</u>	<u>120,418,769</u>	<u>12,032,246</u>	<u>375,544</u>	<u>164,841,438</u>
<b>Accumulated depreciation</b>					
31 December 2008	24,428,824	72,244,643	6,328,019	-	103,001,486
Depreciation for the year	2,360,877	19,161,375	1,271,460	-	22,793,712
Depreciation on disposals	(260,387)	(1,209,939)	(99,952)	-	(1,570,278)
31 December 2009	<u>26,529,314</u>	<u>90,196,079</u>	<u>7,499,527</u>	<u>-</u>	<u>124,224,920</u>
<b>Net book value</b>					
31 December 2008	<u>6,651,404</u>	<u>31,168,132</u>	<u>4,227,047</u>	<u>280,790</u>	<u>42,327,373</u>
31 December 2009	<u>5,485,565</u>	<u>30,222,690</u>	<u>4,532,719</u>	<u>375,544</u>	<u>40,616,518</u>
<b>Depreciation charge for the year (as included in income statements)</b>					
2008					<u>19,702,447</u>
2009					<u>22,793,712</u>

As at 31 December 2009, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 68.1 million (2008: Baht 60.9 million).

## 9. Premium due and uncollected

The outstanding balances of premium due and uncollected as at 31 December 2009 and 2008 aged on the basis of due dates, are summarised below.

	(Unit: Baht)	
Age of receivables	2009	2008
Less than or equal to 90 days	51,571,418	38,163,489

## 10. CMIP member receivable and payable due to closure of CMIP accounts

At the Extraordinary General Meeting no. 2/2548 on 27 December 2005, the Members approved the cancellation of the compulsory motorcycle insurance pool ("CMIP"), effective from 1 January 2006, with the CMIP to record the ceded premium received from the Company and the Members until 31 October 2005, provided that insurance premiums could be recognized as income and compensation could be paid for accidents that occurred until 31 December 2005.

As at 13 September 2006, the Members' meeting approved the closure of CMIP accounts. The Company thus deduced the outstanding renewal premiums receivable from the outstanding CMIP members' receivable and payable balances in connection with policy renewal so as to collect the sum from or refund the sum to the Members thereafter.

On 24 July 2009, CMIP administration committee agreed and approved the allocation by the management of CMIP (the Company) of unallocated claims recovery from litigants to CMIP members, net of CMIP member receivable and payable due to closure of CMIP accounts to CMIP members. Accordingly, the Company's Board of Directors approved payment of the amount to the Members on 30 July 2009 and the Company made payment to the Members during the year 2009.

## 11. Related party transactions

The Cabinet granted the Company permission to operate compulsory motorcycle insurance business only under The Protection for Motor Vehicle Accident Victims Act B.E. 2535 (“the Act”). The Company’s shareholders comprise 64 motor insurance companies operating under the Act. Most transactions comprised advanced claims on behalf of insurance companies the Company made to victims while all insurance companies paid RVP expense subsidies at the rate of 2.25% of other categories of motor premiums received from the insured according to the Act. In addition, each insurance company has to allocate reserve for claims payments at 2 times of the average of claims paid by the Company in advance in lieu of these insurance companies. Moreover, the Company received management fees for advanced claims at Baht 300 per case.

The significant business transactions with related parties are summarised below.

	(Unit: Baht)	
	2009	2008
<b>Transactions with related companies</b>		
RVP expense subsidies	218,938,442	221,663,859
Management fee	24,805,300	16,670,100

The outstanding balances of the above transactions have been separately shown in the balance sheets.

## 12. Advanced claims

The outstanding balances of advanced claims as at 31 December 2009 and 2008 aged on the basis of due date, are summarised below.

	(Unit: Baht)	
<b>Age of receivables</b>	2009	2008
Less than or equal to 30 days	105,390,345	117,224,009
Over 30 days	13,794,296	12,043,670
Over 60 days	5,578,015	7,736,254
Over 1 year	56,912,667	55,993,318
Total	181,675,323	192,997,251
Less: Allowance for doubtful accounts	(56,912,667)	(55,993,318)
Advanced claims - net	124,762,656	137,003,933

### 13. RVP expense subsidies receivable

The outstanding balances of RVP expense subsidies receivable as at 31 December 2009 and 2008 aged on the basis of due date, are summarised below.

	(Unit: Baht)	
Age of receivables	2009	2008
Less than or equal to 90 days	54,318,826	54,691,136
Over 90 days	1,872,277	4,078,816
Over 1 year	20,619,907	19,325,287
Total	76,811,010	78,095,239
Less: Allowance for doubtful accounts	(20,619,907)	(23,404,103)
RVP expense subsidies receivable - net	56,191,103	54,691,136

### 14. Intangible asset

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)
Net book value as at 1 January 2009	4,343,995
Additions	3,896,410
Amortisation	(2,114,618)
Net book value as at 31 December 2009	6,125,787
Amortisation charged for the year (as included in income statements)	(2,114,618)

### 15. Basic earnings per share

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

### 16. Cash flow statements

As at 31 December 2009 and 2008, cash and cash equivalents as reflected in the cash flow statements consist of:

	(Unit: Baht)	
	2009	2008
Cash and deposits at financial institutions	599,192,935	629,327,729
Less: Amounts with maturity of more than 3 months and subject to restrictions	(503,612,672)	(553,609,429)

Cash and cash equivalents	95,580,263	75,718,300
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## **17. 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 rates of 5% of basic salary. The fund, which is managed by Bangkok Bank Plc., will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company contributed Baht 7.0 million (2008: Baht 5.6 million) to the fund.

## **18. Segment information**

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

## **19. Commitments and contingent liabilities**

### **19.1 Operating lease commitments**

The Company has entered into several lease agreements in respect of the lease of office building space and motor vehicles. The terms of the agreements are generally between 1 to 12 years. Operating lease agreements cannot be cancelled.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable within:	
Less than 1 year	11.5
1 to 5 years	19.7
More than 5 years	16.4

## **20. Financial instruments**

### **20.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Presentation", principally comprise deposits at financial institutions, premium due and uncollected, investments in securities and loans to

employee. The financial risks associated with these financial instruments and how they are managed is described below.



## Credit risk

Concentrations of the credit risk with respect to premiums due and uncollected are insignificant due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions.

Concentrations of the credit risk with respect to loans are insignificant due to the Company provide loans to its employees.

The maximum exposure to credit risk is the book value of assets after deduction of allowance for doubtful debts as presented in balance sheet.

## Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans. However, since most of the Company's financial assets are due within one year or bear fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets as at 31 December 2009 classified by type of interest rates are summarized in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
	(Million Baht)						
Deposits at financial institutions	324	240	-	15	18	597	0.25 - 4.25
Investments in securities							
Bonds	20	152	21	-	-	193	3.875 - 5.96
Treasury bills	198	56	-	-	-	254	1.05 - 4.00
Notes	80	-	-	-	-	80	1.50 - 1.65
Debentures	30	60	21	-	-	111	3.00 - 7.40
Loans to employees	-	12	-	-	-	12	Fixed deposit interest rate plus 2
Total	652	520	42	15	18	1,247	