

Report of Independent Auditor



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Report of Independent Auditor

To the Shareholders of Road Accident Victims Protection Company Limited

I have audited the accompanying balance sheets of Road Accident Victims Protection Company Limited as at 31 December 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

I conducted my audits 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 audits provide 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 2010 and 2009, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 29 March 2011

**Road Accident Victims Protection Company
Limited**

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Assets			
Investments in securities			
Bonds		1,681,013,910	368,619,390
Treasury Bills		69,398,775	78,882,202
Notes		170,000,000	80,000,000
Debentures		178,288,152	111,139,591
Unit trusts		<u>183,017,809</u>	<u>195,745,746</u>
Total investments in securities	7	2,281,718,646	834,386,929
Loans to employees	8	10,224,981	12,467,190
Cash and deposits at financial institutions	9	847,287,551	599,192,935
Equipment - net	10	46,337,076	40,616,518
Premium due and uncollected	11	85,952,732	51,571,418
Accrued investment income		11,999,204	8,065,594
Advanced claims - net	6, 12	65,169,426	39,216,377
RVP expense subsidies receivables - net	6, 13	376,510,644	56,191,103
Other assets			
Claim recoveries from litigants		18,266,912	5,316,537
Intangible assets - net	14	7,496,288	6,125,787
Deposits		5,300,709	5,661,189
Prepaid Expense		5,615,450	3,564,913
Others		<u>15,325,615</u>	<u>9,413,092</u>
Total assets		<u><u>3,777,205,234</u></u>	<u><u>1,671,789,582</u></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 2010 and 2009

		(Unit: Baht)
	<u>Note</u>	<u>2010</u> <u>2009</u>
Liabilities and shareholders' equity		
Liabilities		
Unearned premium reserves		1,369,134,688 575,423,740
Loss reserves and outstanding claims		1,665,053,488 654,186,414
Claim reserves received from insurance companies	6	17,111,100 15,661,475
Other liabilities		
Corporate income tax payable		67,015,618 24,014,663
Accrued expenses		25,225,891 32,006,569
Guarantee from insurance agents		51,025,128 23,980,370
Others		74,072,936 46,865,712
Total liabilities		<u>3,268,638,849</u> <u>1,372,138,943</u>
Shareholders' equity		
Share capital		
Registered		
10,000,000 ordinary shares of Baht 10 each		100,000,000 100,000,000
Issued and paid-up		
10,000,000 ordinary shares of Baht 10 each		100,000,000 100,000,000
Unrealised gain		
Surplus on changes in values of investments	7	3,502,406 1,341,215
Retained earnings		405,063,979 198,309,424
Total shareholders' equity		<u>508,566,385</u> <u>299,650,639</u>
Total liabilities and shareholders' equity		<u>3,777,205,234</u> <u>1,671,789,582</u>
		- -
Off-balance sheet items - commitments		
Commitments	19	57,983,561 47,613,795

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

Directors

Road Accident Victims Protection Company Limited**Income statements****For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Underwriting income			
Net premium written		2,674,124,294	1,121,283,130
Unearned premium reserves increase from previous year		(793,710,948)	(109,498,773)
Earned premium written		<u>1,880,413,346</u>	<u>1,011,784,357</u>
Underwriting expenses			
Losses incurred during the year		2,144,296,438	774,886,271
Losses adjustment expenses		72,525,208	53,525,276
Commissions and brokerages		81,206,835	33,826,121
Other underwriting expenses		87,228,070	50,685,555
Total underwriting expenses		<u>2,385,256,551</u>	<u>912,923,223</u>
Income (expenses) on underwriting		(504,843,205)	98,861,134
Net investment income		48,478,020	37,991,741
Gain (losses) on investments in securities		3,275,891	(245,042)
Other income			
RVP expense subsidies	6	1,039,542,232	218,938,442
Others	6	26,587,145	65,754,450
Total other income		1,066,129,377	284,692,892
Operating expenses			
Personnel expenses		157,848,063	143,729,208
Premises and equipment expenses		65,594,930	62,743,195
Taxes and duties		2,300,875	2,006,422
Doubtful accounts		5,587,010	2,223,702
Directors' remuneration		772,000	853,000
Accident prevention campaign expenses		26,317,911	28,550,830
Other operating expenses		55,916,446	49,171,342
Total operating expenses		<u>314,337,235</u>	<u>289,277,699</u>
Income before corporate income tax		<u>298,702,848</u>	<u>132,023,026</u>
Corporate income tax	15	(91,948,293)	(43,529,666)
Net income for the year		<u>206,754,555</u>	<u>88,493,360</u>
Basic earnings per share	16		
Net income		20.68	8.85

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 2010 and 2009

(Unit: Baht)

	Issued and paid-up share capital	Surplus (deficit) on changes in values of investments	Retained earnings	Total
Balance as at 1 January 2009	100,000,000	(5,093,821)	109,816,064	204,722,243
Income recognised directly in equity:				
Investments in available-for-sale securities				
Gains recognised in shareholders' equity	-	4,103,899	-	4,103,899
Transferred to profit or loss due to disposals	-	2,331,137	-	2,331,137
Net income recognised directly in equity	-	6,435,036	-	6,435,036
Net income for the year	-	-	88,493,360	88,493,360
Total income for the year	-	6,435,036	88,493,360	94,928,396
Balance as at 31 December 2009	<u>100,000,000</u>	<u>1,341,215</u>	<u>198,309,424</u>	<u>299,650,639</u>
Balance as at 1 January 2010	100,000,000	1,341,215	198,309,424	299,650,639
Income (expenses) recognised directly in equity:				
Investments in available-for-sale securities				
Gains recognised in shareholders' equity	-	3,508,993	-	3,508,993
Transferred to profit or loss due to disposals	-	(1,347,802)	-	(1,347,802)
Net income recognised directly in equity	-	2,161,191	-	2,161,191
Net income for the year	-	-	206,754,555	206,754,555
Total income for the year	-	2,161,191	206,754,555	208,915,746
Balance as at 31 December 2010	<u>100,000,000</u>	<u>3,502,406</u>	<u>405,063,979</u>	<u>508,566,385</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 2010 and 2009**

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Direct premium written	2,639,742,981	1,107,875,200
Cash paid to CMIP members due to closure of CMIP accounts	-	(77,063,141)
Losses incurred of direct insurance	(1,133,429,363)	(620,277,517)
Loss adjustment expenses of direct insurance	(72,525,208)	(58,459,676)
Commissions and brokerages of direct insurance	(81,206,835)	(33,826,121)
Advanced claims	(25,953,050)	(17,541,314)
Contribution to Office of Accident Victim Fund	(32,052,830)	(14,623,578)
Other underwriting expenses	(48,667,754)	(34,241,826)
Net investment income	53,382,400	41,514,408
Claim reserves received from insurance companies	1,449,625	(29,162,309)
RVP expense subsidies	719,222,691	221,187,069
Other incomes	24,361,367	28,269,311
Operating expenses	(251,586,055)	(229,497,503)
Corporate income tax	(48,947,337)	(45,498,997)
Net cash from operating activities	<u>1,743,790,632</u>	<u>238,654,006</u>
Cash flows from investing activities		
Cash flows from		
Investments in securities	4,626,498,956	2,348,569,896
Equipment	812,602	1,153,075
Fixed deposits with original maturities of more than three months	<u>623,612,672</u>	<u>473,609,429</u>
Cash from investing activities	<u>5,250,924,230</u>	<u>2,823,332,400</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 2010 and 2009**

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash flows used in		
Investments in securities	(6,090,645,562)	(2,594,668,171)
Equipment	(27,351,511)	(19,930,990)
Intangible assets	(5,010,501)	(3,912,610)
Fixed deposits with original maturities of more than three months	<u>(913,614,066)</u>	<u>(423,612,672)</u>
Cash used in investing activities	<u>(7,036,621,640)</u>	<u>(3,042,124,443)</u>
Net cash used in investing activities	<u>(1,785,697,410)</u>	<u>(218,792,043)</u>
Net increase (decrease) in cash and cash equivalents	(41,906,778)	19,861,963
Cash and cash equivalents at beginning of year	<u>95,580,263</u>	<u>75,718,300</u>
Cash and cash equivalents at end of year (Note 9)	<u><u>53,673,485</u></u>	<u><u>95,580,263</u></u>
Supplemental cash flows information:		
Non-cash item		
Surplus on changes in values of investments	2,161,191	6,435,036

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 2010 and 2009

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 according to 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.

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 (“OIC”).

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

During the current year, the Federation of Accounting Professions (“FAP”) issued a number of revised and new accounting standards (TAS, TFRS, TFRIC, SIC) as listed below.

- (a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
SIC 31	Revenue - Barter Transactions Involving Advertising Services

- (b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

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 compulsory 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.

Since 1 January 2010, the RVP expense subsidies have been amended the contribution rate to 12.25% of the premiums received under the Motor Vehicle Accident Victims Insurance Act B.E. 2535, in accordance with the Announcement of Ministry of Finance, dated 26 April 2010.

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.

4.2 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.

4.3 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.

4.4 Investments in securities

- (a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the income statement. 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 fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded as gains or losses in the income statement when the securities are sold.
- (c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts 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 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 as gains or losses in the income statement or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

4.5 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.

4.6 Claim recoveries from litigants and allowance for doubtful accounts

Claim recoveries from litigants are 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 are the Company's shareholders. The Company records claim recoveries 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 recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite life 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 3 years.

4.8 Unearned premium reserve

Unearned premium reserve is set aside in compliance with the basis as specified by the OIC 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 is to allocate a provision for losses incurred but not yet reported (IBNR) according to the actuarial method, but it is not to be less than 2.5% of the net written premium for the previous 12 months in compliance with the OIC's notifications.

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. 2553".

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 at the amount expected to be paid to the taxation authorities, 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 from these estimates. 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 equity investments

The Company treats available-for-sale 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 authorised by the OIC to calculate and endorse loss reserve for IBNR.

6. 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.

From January 2010, all insurance companies will be required to submit contributions to the Company at a rate of 12.25 % of the premiums received from insured parties, in accordance with the Ministry of Finance Notification regarding the principles and methods for payment of contributions for expenses of Road Accident Victims Protection Co., Ltd., dated 26 April 2010.

The significant business transactions with related parties are summarised below.

	(Unit: Baht)	
	2010	2009
<u>Transactions with related companies</u>		
RVP expense subsidies	1,039,542,232	218,938,442
Management fee	19,830,400	24,805,300

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

7. Investments in securities

	(Unit: Baht)			
	2010		2009	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading securities				
Equity securities - unit trusts	14,000,000	14,000,047	47,000,000	47,004,891
Unrealised gains on changes in values of investments	47	-	4,891	-
Total trading securities	14,000,047	14,000,047	47,004,891	47,004,891
Available-for-sale securities				
Equity securities - unit trusts	165,515,356	169,017,762	147,399,640	148,740,855
Surplus on changes in values of investments	3,502,406	-	1,341,215	-
Total available-for-sale securities	169,017,762	169,017,762	148,740,855	148,740,855
Held-to-maturity debt securities				
Bonds	1,681,013,910		368,619,390	
Treasury bills	69,398,775		78,882,202	
Notes	170,000,000		80,000,000	
Debentures	178,288,152		111,139,591	
Total held-to-maturity debt securities	2,098,700,837		638,641,183	
Total investments in securities	2,281,718,646		834,386,929	

Investments in debt securities as at 31 December 2010 and 2009 will be due as follows.

(Unit: Baht)

	2010			
	Due within			
	More than			Total
	1 year	1 - 5 years	5 years	
Held-to-maturity securities				
Bonds	1,050,882,025	609,270,909	20,860,976	1,681,013,910
Treasury bills	69,398,775	-	-	69,398,775
Notes	170,000,000	-	-	170,000,000
Debentures	30,058,010	148,230,142	-	178,288,152
Total	1,320,338,810	757,501,051	20,860,976	2,098,700,837

(Unit: Baht)

	2009			
	Due within			
	More than			Total
	1 year	1 - 5 years	5 years	
Held-to-maturity securities				
Bonds	139,615,858	208,009,656	20,993,876	368,619,390
Treasury bills	78,882,202	-	-	78,882,202
Notes	80,000,000	-	-	80,000,000
Debentures	30,005,716	60,034,038	21,099,837	111,139,591
Total	328,503,776	268,043,694	42,093,713	638,641,183

As at 31 December 2010, the Company pledged bonds with fair value totaling Baht 208 million as non-life insurance policy reserve with the Registrar of the Office of Insurance Commission under the Non-life Insurance Act.

8. Loans to employees and accrued interest

As at 31 December 2010 and 2009, the balances of loans to employees and accrued interest are classified by aging of principal as follows.

(Unit: Baht)

	2010		2009	
	Accrued		Accrued	
	Principal	interest	Principal	interest
Due period				
Not yet due	10,224,981	-	12,467,190	-
Total	10,224,981	-	12,467,190	-

The Company provides loans to employees under its welfare program, with the amount lent capped at Baht 100,000. The loans are subject to interest at a rate fixed with reference to the 1-year fixed-term deposit rate of Krung Thai Bank + 2% per annum.

9. Cash and deposits at financial institutions/Cash and cash equivalents

	(Unit: Baht)	
	2010	2009
Cash on hand	2,704,000	2,357,000
Deposits at financial institutions with no fixed maturity date	50,969,485	33,223,263
Deposits at financial institutions with fixed maturity date	793,614,066	563,612,672
Total cash and deposits at financial institutions	847,287,551	599,192,935
Less: Deposits at financial institutions which amounts maturing in over 3 months or subject to restrictions	(793,614,066)	(503,612,672)
Cash and cash equivalents	53,673,485	95,580,263

As at 31 December 2010, the Company's bank deposits of approximately Baht 3.5 million (2009: 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 2010, the Company's bank deposits of approximately Baht 30 million (2009: Baht 30 million) have been pledged as securities with banks in respect of certain performance bonds as required in the normal course of business.

10. Equipment

(Unit: Baht)

	Leasehold building improvements	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation	Total
Cost					
31 December 2009	32,014,879	120,418,769	12,032,246	375,544	164,841,438
Additions	1,678,017	24,100,639	3,380,280	-	29,158,936
Disposals	(4,713,355)	(4,793,789)	(3,947,365)	(316,807)	(13,771,316)
Transfer in (transfer out)	-	58,737	-	(58,737)	-
31 December 2010	28,979,541	139,784,356	11,465,161	-	180,229,058
Accumulated depreciation					
31 December 2009	26,529,314	90,196,079	7,499,527	-	124,224,920
Depreciation for the year	2,314,612	19,105,543	1,537,397	-	22,957,552
Depreciation on disposals	(4,712,645)	(4,655,689)	(3,922,156)	-	(13,290,490)
31 December 2010	24,131,281	104,645,933	5,114,768	-	133,891,982
Net book value					
31 December 2009	5,485,565	30,222,690	4,532,719	375,544	40,616,518
31 December 2010	4,848,260	35,138,423	6,350,393	-	46,337,076
Depreciation charge for the year (as included in income statements)					
2009					22,793,712
2010					22,957,552

As at 31 December 2010, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 99.39 million (2009: Baht 68.1 million).

11. Premium due and uncollected

The outstanding balances of premium due and uncollected as at 31 December 2010 and 2009 aged on the basis of due dates, are summarised below.

(Unit: Baht)

Age of receivables	2010	2009
Less than or equal to 90 days	85,952,732	51,571,418

12. Advanced claims

The outstanding balances of advanced claims as at 31 December 2010 and 2009 aged on the basis of due date, are summarised below.

	(Unit: Baht)	
Age of receivables	2010	2009
Less than or equal to 30 days	65,169,426	39,216,376
Over 30 days	-	-
Over 60 days	-	-
Over 1 year	5,445,529	56,912,667
Total	70,614,955	96,129,043
Less: Allowance for doubtful accounts	(5,445,529)	(56,912,666)
Advanced claims - net	65,169,426	39,216,377

13. RVP expense subsidies receivables

The outstanding balances of RVP expense subsidies receivables as at 31 December 2010 and 2009 aged on the basis of due date, are summarised below.

	(Unit: Baht)	
Age of receivables	2010	2009
Less than or equal to 90 days	257,484,287	54,318,826
Over 90 days	116,757,567	1,872,277
Over 1 year	10,935,069	20,619,907
Total	385,176,923	76,811,010
Less: Allowance for doubtful accounts	(8,666,279)	(20,619,907)
RVP expense subsidies receivable - net	376,510,644	56,191,103

14. Intangible asset

	(Unit: Baht)
	<u>Computer Software</u>
Cost	
At 1 January 2009	9,087,720
Addition	3,896,410
Transfer In	16,200
At 31 December 2009	<u>13,000,330</u>
Addition	5,010,270
Adjust	(197,150)
At 31 December 2010	<u>17,813,450</u>
Amortisation	
At 1 January 2009	4,759,925
Amortisation	2,114,618
At 31 December 2009	<u>6,874,543</u>
Amortisation	3,442,619
At 31 December 2010	<u>10,317,162</u>
Net book value:	
At 31 December 2009	<u>6,125,787</u>
At 31 December 2010	<u>7,496,288</u>

15. Corporate income tax

Corporate income tax for the year has been calculated at the rate of 30% on the Company's net income after adding back certain provisions and expenses which are non tax-deductible and deducting dividend income which is exempted from tax.

16. 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.

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% - 8% of basic salary base on working period. 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 2010, the Company contributed Baht 7.5 million (2009: Baht 7.0 million) to the fund.

18. Financial information by segment

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

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 2010, 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	13.78
1 to 5 years	34.15
More than 5 years	10.05

20. Financial instruments

20.1 Financial risk management

Credit risk

Concentrations of the credit risk with respect to premiums due and uncollected and RVP expense subsidies receivables are insignificant due to the large number of customers and other insurance companies comprising the customer base and their dispersion across different industries and geographic regions. The maximum exposure to credit risk is the book value of assets after deduction of allowance for doubtful debts as presented in balance sheet.

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

Interest rate risk

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

Significant financial assets as at 31 December 2010 and 2009 classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

2010							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Remaining periods to repricing dates or maturity dates						
	Within	Over					
	1 year	1 - 5 years	5 years				
	(Thousand Baht)						
Investments in securities - net							
Bonds	1,050,882	609,271	20,861	-	-	1,681,014	1.58 - 4.73
Treasury bills	69,399	-	-	-	-	69,399	1.78 - 2.06
Notes	170,000	-	-	-	-	170,000	1.75 - 2.35
Debentures	30,058	148,230	-	-	-	178,288	1.60 - 5.84
Loans to employees	860	9,365	-	-	-	10,225	0.65 - 4.75
Cash and Deposits at financial institutions	643,614	150,000	-	29,305	24,368	847,287	0.50 - 2.75
2009							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Remaining periods to repricing dates or maturity dates						
	Within	Over					
	1 year	1 - 5 years	5 years				
	(Thousand Baht)						
Investments in securities - net							
Bonds	139,616	208,010	20,994	-	-	368,620	3.88 - 5.96
Treasury bills	78,882	-	-	-	-	78,882	1.05 - 4.00
Notes	80,000	-	-	-	-	80,000	1.50 - 1.65
Debentures	30,005	60,034	21,100	-	-	111,139	3.00 - 7.40
Loans to employees	-	-	-	12,467	-	12,467	0.75 - 5.75
Cash and Deposits at financial institutions	493,613	70,000	-	15,303	20,277	599,193	0.25 - 4.25

20.2 Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

The following methods and assumptions are used by the Company in estimating the fair values of financial instruments as described below.

Investments in securities/deposits at financial institutions

The fair value of listed securities is based on their quoted market prices.

The fair value of deposits at financial institutions, bonds, debentures, bill of exchange and promissory notes with periods to maturity of less than 90 days is based on their carrying value. For those with periods to maturity of longer than 90 days, fair value is estimated using a discounted cash flow method based on the current interest rate and the remaining period to maturity.

Loans to employees

Loans with floating interest rates for which there is no significant credit risk, fair value is based on carrying value.

21. Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure, pressures the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the OIC.

22. Reclassification

Certain amounts in the financial statements as at 31 December 2009 have been reclassified to conform to the current year's classification with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows.

	(Unit: Baht)	
	As reclassified	As previously reported
Investments in securities		
Bonds	368,619,390	193,439,825
Treasury bills	78,882,202	254,061,767
Advanced claims - net	39,216,377	124,762,656
Claim reserves received from insurance companies	15,661,475	101,207,754

23. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 29 March 2011.