

Prudential Life Assurance (Thailand) Public Company Limited

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2020

and

Independent auditor's review report



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Independent auditor's report on review of interim financial information

To the Board of Directors of Prudential Life Assurance (Thailand) Public Company Limited

I have reviewed the accompanying statement of financial position of Prudential Life Assurance (Thailand) Public Company Limited as at 30 September 2020; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2020, changes in equity and cash flows for the nine-month period ended 30 September 2020; and the condensed notes ("interim financial information"). 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 the 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".

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
10 November 2020

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

		30 September	31 December
Assets	Note	2020	2019
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	4	1,430,426	1,916,846
Investment receivables		42,334	57,399
Premiums due and uncollected	5	909,402	566,407
Accrued investment income		909,173	700,306
Reinsurance receivables		144,806	124,972
Derivative assets	6	108,160	253,640
Investments assets			
Investments in securities	7, 16, 18	111,244,554	119,248,929
Loans and accrued interest	8	2,980,803	2,816,935
Investment assets where policyholders bear the investment risk	16	9,085,624	8,669,825
Assets held for sale		10,030	10,030
Premises and equipment		97,623	107,817
Right of use asset		21,744	-
Intangible assets	9	19,027,148	11,105,951
Other assets	17	605,070	599,239
Total assets		146,616,897	146,178,296

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

		30 September 2020 (Unaudited)	31 December 2019
Liabilities and shareholders' equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
Liabilities			
Insurance contract liabilities	11	104,381,049	98,844,838
Investment contract liabilities	12	9,151,588	8,759,234
Investment payable		61,040	411,200
Due to reinsurers		326,006	283,184
Derivative liabilities	6	438,187	4,478
Accrued commission		267,488	418,752
Accrued expenses	17	892,391	848,150
Employee benefit obligations		276,266	269,532
Lease liabilities		21,903	-
Deferred tax liabilities	10	1,170,983	2,454,881
Income tax payable		205,398	-
Other liabilities	17	628,263	1,034,725
Total liabilities		117,820,562	113,328,974
Shareholders' equity			
Share capital			
Authorised share capital			
<i>(2,211,153 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935	20,209,935
Issued and paid share capital			
<i>(2,211,153 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935	20,209,935
Retained earnings			
Appropriated			
Legal reserve		454,974	454,974
Unappropriated		2,205,447	3,156,585
Other components of shareholders' equity	7	5,925,979	9,027,828
Total shareholders' equity		28,796,335	32,849,322
Total liabilities and shareholders' equity		146,616,897	146,178,296

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of comprehensive income (Unaudited)

		Three-month period ended 30 September	
	Note	2020	2019
		(in thousand Baht)	
Revenues			
Gross premium written		5,052,050	5,465,210
Less premium ceded		(76,737)	(53,871)
Net premiums written		4,975,313	5,411,339
Add (less) unearned premium reserve decreased (increased) from previous period		5,516	(13,764)
Net premium earned		4,980,829	5,397,575
Commission and brokerage income		30,868	23,499
Net investments income	17	841,695	1,143,162
Gain on investments	17	59,291	772,143
Gain (loss) on fair value changes		(11,115)	51,606
Other income		14,179	13,940
Total revenues		5,915,747	7,401,925
Expenses			
Long-term technical reserve increase from prior period		1,252,086	2,580,404
Benefits payments and insurance claims expenses		2,926,346	1,765,107
Less benefits payments and insurance claims expenses recovered from reinsurers		(18,540)	(25,577)
Net benefits payments and insurance claims expenses		2,907,806	1,739,530
Commissions and brokerage expenses		441,895	706,812
Other underwriting expenses	17	437,768	594,914
Operating expenses	17	613,901	547,180
Expected credit loss (reversal)	14	(29,400)	-
Other loss (gain)		10,851	(6,527)
Total expenses		5,634,907	6,162,313
Profit before income tax		280,840	1,239,612
Income tax	13	74,810	(73,980)
Profit for the period		206,030	1,313,592
Other comprehensive income			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Expected credit loss on investment measured at fair value through other comprehensive income	14	(28,553)	-
Gain (loss) on remeasurement of investment - fair value through other comprehensive income		(1,423,705)	7,883,187
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		290,452	(1,576,638)
Other comprehensive income for the period, net of income tax		(1,161,806)	6,306,549
Total comprehensive income for the period		(955,776)	7,620,141
Basic earnings per share (in Baht)	15	0.09	0.59

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of comprehensive income (Unaudited)

		Nine-month period ended 30 September	
	Note	2020	2019
		(in thousand Baht)	
Revenues			
Gross premium written		15,735,584	16,188,612
Less premium ceded		(142,405)	(138,550)
Net premiums written		15,593,179	16,050,062
Add (less) unearned premium reserve decreased (increased) from previous period		10,139	(39,430)
Net premium earned		15,603,318	16,010,632
Commission and brokerage income		48,236	52,924
Net investments income	17	2,719,159	2,878,494
Gain on investments	17	220,112	810,198
Gain on fair value changes		54,602	703,025
Other income		34,559	27,895
Total revenues		18,679,986	20,483,168
Expenses			
Long-term technical reserve increase from prior period		5,408,539	7,480,292
Benefits payments and insurance claims expenses		7,474,734	5,314,152
Less benefits payments and insurance claims expenses recovered from reinsurers		(65,159)	(57,424)
Net benefits payments and insurance claims expenses		7,409,575	5,256,728
Commissions and brokerage expenses		1,546,818	2,151,409
Other underwriting expenses	17	1,635,244	1,532,796
Operating expenses	17	1,740,874	1,701,856
Expected credit loss	14	933,011	-
Other loss (gain)		20,792	(18,624)
Total expenses		18,694,853	18,104,457
Profit (loss) before income tax		(14,867)	2,378,711
Income tax	13	15,204	97,132
Profit (loss) for the period		(30,071)	2,281,579
Other comprehensive income			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Expected credit loss on investment measured at fair value through other comprehensive income	14	935,472	-
Gain (loss) on remeasurement of investment - fair value through other comprehensive income		(5,965,737)	11,616,478
Income tax relating to components the comprehensive income that will be reclassified subsequently to profit or loss		1,006,053	(2,323,296)
Other comprehensive income for the period, net of income tax		(4,024,212)	9,293,182
Total comprehensive income for the period		(4,054,283)	11,574,761
Basic earnings (loss) per share (in Baht)	15	(0.01)	1.03

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

		Retained earnings		Other components of shareholders' equity	
	Issued and paid share capital	Legal reserve	Unappropriated	Gain on remeasurement of investment - fair value through other comprehensive income	Total shareholders' equity
			<i>(in thousand Baht)</i>		
Nine-month period ended 30 September 2019					
Balance at 1 January 2019	20,209,935	322,362	2,094,435	1,458,322	24,085,054
Comprehensive income for the period					
Profit for the period	-	-	2,281,579	-	2,281,579
Other comprehensive income					
Gain on remeasurement of investment - fair value through other comprehensive income, net of income tax	-	-	-	9,293,182	9,293,182
Total comprehensive income for the period	-	-	2,281,579	9,293,182	11,574,761
Balance at 30 September 2019	20,209,935	322,362	4,376,014	10,751,504	35,659,815

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

		Retained earnings		Other components of shareholders' equity	
	Issued and paid share capital	Legal reserve	Unappropriated	Gain (loss) on remeasurement of investment - fair value through other comprehensive income	Total shareholders' equity
Note					
(in thousand Baht)					
Nine-month period ended 30 September 2020					
Balance at 31 December 2019 - as reported	20,209,935	454,974	3,156,585	9,027,828	32,849,322
Impact of change in accounting policies	3	-	(921,067)	922,363	1,296
Balance at 1 January 2020 - as restated	20,209,935	454,974	2,235,518	9,950,191	32,850,618
Comprehensive income for the period					
Loss for the period	-	-	(30,071)	-	(30,071)
Other comprehensive income					
Expected credit loss on investments measured at fair value through other comprehensive income, net of income tax	-	-	-	748,378	748,378
Loss on remeasurement of investment - fair value through other comprehensive income, net of income tax	-	-	-	(4,772,590)	(4,772,590)
Total comprehensive income for the period	-	-	(30,071)	(4,024,212)	(4,054,283)
Balance at 30 September 2020	20,209,935	454,974	2,205,447	5,925,979	28,796,335

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

	Nine-month period ended 30 September	
	2020	2019
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Premiums received	15,037,751	15,794,313
Cash paid to reinsurers	(43,914)	(45,078)
Interest received	2,176,471	2,218,355
Dividend received	391,538	298,675
Other income	51,639	61,587
Benefit payments and insurance claims expenses	(7,336,923)	(5,119,964)
Commissions and brokerages	(1,698,082)	(2,406,712)
Other underwriting expenses	(1,553,756)	(1,106,263)
Operating expenses	(1,543,673)	(1,636,084)
Income tax paid	(56,534)	(92,256)
Loans	190,882	40,283
Investment assets where policyholders bear the investment risk	(67,415)	(22,136)
Cash receipts from investment in securities	29,302,620	38,212,063
Cash payments for investment in securities	(27,092,598)	(46,729,868)
Net cash generated from (used in) operating activities	7,758,006	(533,085)
<i>Cash flow from investing activities</i>		
<i>Cash flow used in</i>		
Premises and equipment	(27,401)	(8,633)
Intangible assets	(8,199,625)	(17,700)
Net cash flow used in investing activities	(8,227,026)	(26,333)
<i>Cash flow from financing activities</i>		
<i>Cash flows used in</i>		
Payment of lease liabilities	(16,946)	-
Net cash used in financing activities	(16,946)	-
Net decrease in cash and cash equivalents	(485,966)	(559,418)
Cash and cash equivalent at 31 December 2019/2018	1,916,846	1,358,957
Total cash and cash equivalent at 30 September	1,430,880	799,539
Less: loss allowance of expected credit loss	(454)	-
Cash and cash equivalent at 30 September - Net	1,430,426	799,539

The accompanying notes are an integral part of these interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

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Notes to the condensed interim financial statements
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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language interim financial statements have been prepared from the Thai language interim financial statements. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial statements shall prevail.

These interim financial statements were approved and authorised for issue by the Board of Directors on 10 November 2020.

1 General information

Prudential Life Assurance (Thailand) Public Company Limited, (the “Company”), is incorporated in Thailand and has its registered office at @ Sathorn Building, 20th - 27th Floors, 9/9 South Sathorn Road, Yannawa, Sathorn, Bangkok. The Company has 1 branch (*31 December 2019: 1 branch*).

The immediate and ultimate parent companies during the financial period were Staple Limited (51.21% shareholding) which was incorporated in Thailand, and Prudential Plc which was incorporated in the United Kingdom, respectively.

The principal activity of the Company is to operate life assurance.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim financial statements are presented in the same format as the annual financial statements and prepared its notes to the interim financial statements on a condensed basis (“interim financial statements”) in accordance with Thai Accounting Standard (TAS) No.34 *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (TFAC). In addition, the interim financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting of the Operations of Life Insurance Companies” B.E. 2562 (No. 2), dated 4 April 2019, which are effective for annual periods beginning on or after 1 January 2020.

The interim financial statements are prepared to provide an update on the annual financial statements. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2019.

The Company has initially applied Accounting Guideline: Financial Instruments and disclosure for insurance entities and TFRS 16 Leases and disclosed impact from changes to significant accounting policies in note 3.

(b) Use of judgements, estimates and accounting policies

In preparing these interim financial statements, judgements and estimates are made by management in applying the Company’s accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that described in the financial statements for the year ended 31 December 2019, except for the new significant judgements and key sources of estimation uncertainty related to the application of new TFRS as described in note 3.

Prudential Life Assurance (Thailand) Public Company Limited
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3 Change in accounting policies

From 1 January 2020, the Company has initially applied Accounting Guideline: Financial Instruments and disclosure for insurance entities “Accounting Guideline for insurance entities”, TAS 32 Financial Instruments: Presentation, and TFRS 16 Leases. Impact of changes in accounting policies on shareholders’ equity were as follows:

	Retained earnings (in thousand Baht)	Other components of equity
At 31 December 2019 - as reported	3,611,559	9,027,828
<i>Increase (decrease) due to:</i>		
Adoption of Accounting Guideline for insurance entities and TAS 32		
Classification of financial instruments		
Foreign exchange unrealised (loss) gain on unit trust classified as debt	(1,123,127)	1,123,127
General investment	463	3,955
Impairment losses on financial assets	(28,786)	25,871
Related income tax	230,383	(230,590)
At 1 January 2020 - restated	2,690,492	9,950,191

In addition, the Company has changed the presentation of the interim financial statements and note to the interim financial statements to comply with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting of the Operations of Life Insurance Companies” B.E. 2562 (No. 2), dated 4 April 2019.

(a) Accounting Guideline for insurance entities and TAS 32

TFRS 4 Insurance Contracts (revised 2019), has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 and TFRS 7 for insurance entities and continue to apply Accounting Guideline: Financial Instruments and Disclosure for insurance entities until TFRS 17 Insurance contract becomes effective.

The Company has met the condition as mentioned in TFRS 4 Insurance Contracts (revised 2019) and selected to apply Accounting Guideline for Financial Instruments and Disclosure for insurance company.

The Company has adopted Accounting Guideline for insurance entities by adjusting the cumulative effects to retained earnings and other components of equity on 1 January 2020. Therefore, the Company did not adjust the information presented for 2019.

The impact from the adoption Accounting Guideline for insurance entities and TAS 32 as follows:

(1) Classification and measurement of financial assets and financial liabilities

Accounting Guideline for insurance entities requires to classify equity instrument as trading securities or available-for-sale securities and eliminates the existing classification of general investment as specified by TAS 105 and requires bifurcating embedded derivatives in a hybrid instrument in all the conditions are met.

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Under TAS 32, the gains or losses on foreign exchange rate of unit trust which is classified as debt instruments are recognised in profit or loss.

The following table shows measurement categories under previous standards and Accounting Guideline: Financial Instruments and disclosure for insurance entities, including reconciliation of the carrying amounts of each class of the Company's financial assets and financial liabilities as at 1 January 2020.

	Measurement at 31 December 2019	Measurement under Accounting Guideline: Financial Instruments and disclosure for insurance entities at 1 January 2020	
	Carrying amounts	Fair value through profit or loss (in thousand Baht)	Fair value through other comprehensive income
General investments	2,867	-	7,285
Derivative assets	253,640	253,640	-
Total	256,507	253,640	7,285
Derivative liabilities	4,478	4,478	-
Total	4,478	4,478	-

(2) Impairment - Financial assets

Accounting Guideline for insurance entities introduces forward-looking "expected credit loss" (ECL) model whereas previously the Company estimates allowance for impairment loss by analysing payment histories and future expectation of payment. Accounting Guideline for insurance entities requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost, debt investments measured at FVOCI and loans. For investments in equity instruments or unit trusts measured at FVOCI, impairment is considered from objective evidence of impairment, including information about significant change in negative technology, marketing, economy and law environment, which securities issuers has operated, indicate that cost of investment in this equity will not be recovered. Significant or prolonged of investments's fair value which is lower than their cost, as objective evidence impairment.

Impairment and gain or loss from derecognition for investment measured at FVOCI are recognized in profit and loss.

The Company has determined that the application of Accounting Guideline for insurance entities at 1 January 2020 results in allowance for impairment loss as follows:

	<i>(in thousand Baht)</i>
Allowance for impairment losses at 31 December 2019	
Allowance for impairment losses on investments and loans	1,784
Allowance for impairment losses recognised at 1 January 2020 on:	
- Debt instruments measured at FVOCI	25,871
- Cash and cash equivalent	2,915
Allowance for impairment losses (ECL) at 1 January 2020	28,786

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The Company has opted to recognise the impairment loss as an adjustment to retained earnings as at 1 January 2020.

(3) *Hedge accounting*

Accounting Guideline introduces guidance on hedge accounting. There are three hedge accounting models and the type of model applied depends on the hedged exposures consisting of a fair value exposure, a cash flow exposure or a foreign currency exposure on a net investment in a foreign operation. Under this Accounting Guideline, the Company is required to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

Currently, the Company had derivative for currency exchange rate risk and interest rate risk which were recognised when the derivative was exercised. However, as at 30 September 2020 the Company does not apply hedge accounting.

(b) *TFRS 16 Leases*

From 1 January 2020, the Company has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* and TFRIC 4 *Determining whether an arrangement contains a lease* using the modified retrospective approach.

Previously, the Company, as a lessee, recognised payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Company assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Company allocates the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Company recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities.

On transition, the Company also elected to use the following practical expedients:

- do not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term;
- use hindsight when determining the lease term;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- rely on previous assessments whether leases are onerous as an alternative to performing an impairment review; and
- exclude initial direct costs from measuring the right-of-use asset.

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Impact from the adoption of TFRS 16

(in thousand Baht)

At 1 January 2020

Increase in right of use asset	38,392
Increase in lease liabilities	38,392

Measurement of lease liability

(in thousand Baht)

Operating lease commitment as disclosed at 31 December 2019	39,095
Discounted using the incremental borrowing rate at 1 January 2020	(703)
Finance lease liabilities recognised as at 31 December 2019	38,392
Lease liabilities recognised at 1 January 2020	38,392
Weighted-average incremental borrowing rate (% per annum)	1.96

4 Cash and cash equivalents

	30 September 2020	31 December 2019
	(in thousand Baht)	
Cash on hand	989	1,266
Deposits at banks - call deposits	1,429,891	1,915,580
Less allowance for expected credit loss	(454)	-
Total	1,430,426	1,916,846

5 Premiums due and uncollected

As at 30 September 2020 and 31 December 2019, the balances of premiums due and uncollected are classified by aging as follows:

	30 September 2020	31 December 2019
	(in thousand Baht)	
Within due	907,528	488,528
Overdue		
less than 30 days	1,151	67,505
31 - 60 days	294	10,244
61 - 90 days	34	110
91 days - 1 year	598	172
over 1 year	45	7
Total	909,650	566,566
Less allowance for doubtful accounts	(248)	(159)
Net	909,402	566,407

The Company has established procedures for following up on the collection of premiums due and uncollected from agents and brokers to ensure it is made within the credit terms. Legal action is taken against agents and brokers on a case-by-case basis when premiums due and uncollected are overdue.

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6 Derivatives

Derivatives for which hedge accounting has not been elected

				30 September 2020		Three-month period ended 30 September 2020	Nine-month period ended 30 September 2020
Type of contract	Objectives	No. of contracts	Notional value	Fair value		Gain (loss) on remeasurement of derivatives at fair value (in thousand Baht)	
				Assets	Liabilities		
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	11	14,224,664	73,096	434,204	(409,971)	(557,344)
Cross currency swap	To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	35,064	-	(7,608)	(20,420)
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	-	3,983	4,657	(1,425)
Total		13	14,764,988	108,160	438,187	(412,922)	(579,189)

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Derivatives for which hedge accounting has not been elected

		31 December 2019				Gain (loss) on remeasurement of derivatives at fair value for the year ended 31 December 2019
Type of contract	Objectives	No. of contracts	Notional value	Book value/Fair value Assets Liabilities (in thousand Baht)		
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	18	25,035,673	198,156	1,920	(56,655)
Cross currency swap	To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	55,484	-	22,767
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	-	2,558	(2,558)
Total		20	25,575,997	253,640	4,478	(36,446)

As at 30 September 2020, the Company has hedged the foreign exchange and interest rate risks arising from investment activities by entering into foreign exchange forward and cross currency swap contracts with the banks. The notional amount of these hedges is USD 470.5 million (31 December 2019: USD 838.7 million).

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7 Investments in securities

7.1 Investment in securities by measurement of accounting guidelines are as follows:

	30 September 2020		31 December 2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<i>Fair value through profit or loss</i>				
Unit trusts	2,914	2,932	2,809	3,068
Total	2,914	2,932	2,809	3,068
Add unrealised gains	18	-	259	-
Total	2,932	2,932	3,068	3,068
<i>Fair value through other comprehensive income</i>				
Government and state enterprises securities	50,606,007	59,140,446	40,734,997	50,945,223
Corporate securities	39,185,614	39,565,327	40,931,008	43,288,832
Foreign securities	180,046	187,554	263,166	270,969
Equity securities	6,782,643	4,513,920	7,557,485	6,889,444
Unit trusts	8,066,565	7,834,375	18,471,771	17,848,526
Total	104,820,875	111,241,622	107,958,427	119,242,994
Add unrealised gains	6,420,747	-	11,284,784	-
Less allowance for impairment loss	-	-	(217)	-
Total	111,241,622	111,241,622	119,242,994	119,242,994
Allowance for expected credit loss	961,343		-	

General investments comprise of:

	30 September 2020		31 December 2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<i>General investments</i>				
Equity securities	-	-	3,330	7,285
Less allowance for impairment loss	-	-	(463)	-
Total general investments	-	-	2,867	7,285

7.2 Fair value through other comprehensive income

	30 September 2020		31 December 2019	
	Fair value	Loss allowance for ECL	Fair value	Loss allowance for ECL
	<i>(in thousand Baht)</i>			
Debt securities - no significant increase in credit risk / performing (stage 1)	98,053,752	25,326	94,505,024	-
Debt securities - default / non-performing (stage 3)	839,575	936,017	-	-
Total	98,893,327	961,343	94,505,024	-

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At 30 September 2020, debt securities measured at fair value through other comprehensive income having amortised cost of Baht 1,775.59 million had a significant increase in credit risk and was transferred from stage 1 to stage 3.

8 Loans and accrued interest

As at 30 September 2020 and 31 December 2019, the detail of loans and accrued interest were as follows:

Stage	30 September 2020		Total
	Loans and accrued interest, net	Other	
	Mortgage loans	(in thousand Baht)	
Loans - no significant increase in credit risk (stage 1)	-	3	3
Loans - default / non-performing (stage 3)	1,104	-	1,104
Less allowance for expected credit loss	(1,104)	-	(1,104)
Total	-	3	3
Policy loans	-	2,661,093	2,661,093
Accrued interest receivable	-	319,707	319,707
Loans and accrued interest, net	-	2,980,803	2,980,803

	31 December 2019		Total
	Loans and accrued interest, net	Other	
	Mortgage loans	(in thousand Baht)	
Loan and accrued interest	1,104	119	1,223
Less allowance for doubtful accounts	(1,104)	-	(1,104)
Total	-	119	119
Policy loans	-	2,530,260	2,530,260
Accrued interest receivable	-	286,556	286,556
Loans and accrued interest, net	-	2,816,935	2,816,935

Policy loans represent loans granted to the policyholders at an amount not exceeding the cash value of the policy, an interest not exceeding the premium written calculation and plus 2% per annum.

Other loans were personal guarantee loans to staff with interest rate of 5.18% per annum (31 December 2019: 0% - 6.18% per annum).

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9 Intangible assets

	Software licenses	Software under installation <i>(in thousand Baht)</i>	Bancassurance agreement	Total
Net book value at 1 January 2020	168,934	103,961	10,833,056	11,105,951
Additions during the period - cost	3,041	29,636	8,167,150	8,199,827
Net transfers in/(out)	102,305	(102,305)	-	-
Amortisation charge for the period	(55,490)	-	(223,140)	(278,630)
Net book value at 30 September 2020	218,790	31,292	18,777,066	19,027,148

For period ended 30 September 2020, the Company paid Baht 8.2 billion for a strategic bancassurance partnership with an initial term of 15 years.

10 Deferred tax

Deferred tax assets and liabilities as at 30 September 2020 and 31 December 2019 were as follows:

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Deferred tax assets	345,002	70,496
Deferred tax liabilities	(1,515,985)	(2,525,377)
Net deferred tax liabilities	(1,170,983)	(2,454,881)

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Movements in total deferred tax assets and liabilities for the nine-month period ended 30 September 2020 and 2019 were as follows:

			(Charged) / Credited to:		
	At 1 January 2020	Impact of changes in accounting policies (Note 3)	Profit or loss	Other comprehensive income	At 30 September 2020
			(in thousand Baht)		
Deferred tax assets					
Premises and equipment	17,971	-	4,529	-	22,500
Intangible assets	9,205	-	(2,933)	-	6,272
Employee benefit obligations	27,328	-	181	-	27,509
Unpaid policy benefits	10,905	-	(75)	-	10,830
Premium reserve	5,087	-	14,337	-	19,424
Expected credit loss	-	5,757	186,602	-	192,359
Unrealised loss on derivative instruments	-	-	66,006	-	66,006
Others	-	-	102	-	102
Total	70,496	5,757	268,749	-	345,002
Deferred tax liabilities					
Gain (loss) on remeasurement of investment - fair value through other comprehensive income	(2,256,956)	(225,416)	-	1,193,147	(1,289,225)
Expected credit loss	-	(5,174)	-	(187,094)	(192,268)
Unrealised gain (loss) on exchange rate adjustment from foreign currency investment	(201,961)	224,625	(40,576)	-	(17,912)
Gain (loss) on remeasurement of investment - fair value through profit or loss	(52)	-	48	-	(4)
Actuarial gain on defined benefit plan	(16,576)	-	-	-	(16,576)
Unrealised gain on derivative instruments	(49,832)	-	49,832	-	-
Total	(2,525,377)	(5,965)	9,304	1,006,053	(1,515,985)
Net	(2,454,881)	(208)	278,053	1,006,053	(1,170,983)

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	At 1 January 2019	(Charged) / Credited to:		At 30 September 2019
		Profit or loss (in thousand Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
Premises and equipment	15,732	1,671	-	17,403
Intangible assets	5,424	4,713	-	10,137
Provisions	1,465	(1,465)	-	-
Employee benefit obligations	17,124	12,369	-	29,493
Unpaid policy benefits	8,301	1,456	-	9,757
Actuarial loss on defined benefit plan	480	-	-	480
Premium reserve	2,966	11,903	-	14,869
Total	51,492	30,647	-	82,139
<i>Deferred tax liabilities</i>				
Net fair value changes on available- for-sale securities	(364,580)	-	(2,323,295)	(2,687,875)
Unrealised gain on exchange rate adjustment from foreign currency investment	(7,803)	(169,789)	-	(177,592)
Provision for revaluation of trading securities	(6)	(38)	-	(44)
Unrealised gain on derivative instruments	(57,122)	(15,718)	-	(72,840)
Total	(429,511)	(185,545)	(2,323,295)	(2,938,351)
Net	(378,019)	(154,898)	(2,323,295)	(2,856,212)

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11 Insurance contract liabilities

	30 September 2020			31 December 2019		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
Long-term technical reserves	103,087,225	-	103,087,225	97,678,686	-	97,678,686
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	32,073	-	32,073	50,947	-	50,947
- Incurred but not reported	43,143	-	43,143	45,377	-	45,377
Total loss reserves and outstanding claims	75,216	-	75,216	96,324	-	96,324
Unearned premium reserves	271,824	-	271,824	281,963	-	281,963
Total short-term technical reserves	347,040	-	347,040	378,287	-	378,287
Unpaid policy benefits	307,753	-	307,753	301,988	-	301,988
Due to insured	639,031	-	639,031	485,877	-	485,877
Total	104,381,049	-	104,381,049	98,844,838	-	98,844,838

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11.1 Long-term technical reserves

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	97,678,686	86,871,823
Reserves increase from new and inforce policies in the period / year	12,051,011	16,701,818
Reserves released for benefits payment, lapse and cancel policies in the period / year	(6,642,472)	(5,894,955)
At 30 September 2020 / 31 December 2019	<u>103,087,225</u>	<u>97,678,686</u>

11.2 Short-term technical reserves

11.2.1 Loss reserves and outstanding claims

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	96,324	70,898
Insurance claim expense incurred during the period / year	276,976	527,455
Insurance claim expense paid during the period / year	(298,084)	(502,029)
At 30 September 2020 / 31 December 2019	<u>75,216</u>	<u>96,324</u>

11.2.2 Unearned premium reserves

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	281,963	222,653
Premium written during the period / year	69,563	133,072
Earned premium in the period / year	(79,702)	(73,762)
At 30 September 2020 / 31 December 2019	<u>271,824</u>	<u>281,963</u>

11.3 Unpaid policy benefits

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Death	57,685	71,202
Unpresented cheques for benefits and claims payment	245,099	214,513
Others	4,969	16,273
Total	<u>307,753</u>	<u>301,988</u>

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11.4 Due to insured

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Policyholder deposits	628,778	476,065
Advance premium	3	42
Others	10,250	9,770
Total	639,031	485,877

12 Investment contract liabilities

The movement of investment contract liabilities are as follows:

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	8,759,234	6,677,247
Deposit during the period / year	1,436,571	1,740,660
Withdrawal during the period / year	(854,121)	(533,447)
Valuation adjustment during the period / year	(190,096)	874,774
At 30 September 2020 / 31 December 2019	9,151,588	8,759,234

13 Income tax

Income tax is recognized based on management's best estimated of the weighted average annual income tax expected for the full financial year applied to the pre-tax of interim period. The Company's effective income tax rate in respect of continuing operations for the three-month and nine-month periods ended 30 September 2020 was 27% and (102)%, respectively (30 September 2019: (6)% and 4%, respectively). This change in effective tax rate was caused mainly by the following factors:

- Utilisation of tax losses on investment in subsidiary
- The difference between accounting and tax recognition regarding foreign currency translation of the remaining marketable securities on the last day of the accounting period
- Adjustment related to prior year
- Other permanent tax differences

14 Expected credit loss

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
Cash and cash equivalent	(847)	-	(2,461)	-
Investment in securities	(28,553)	-	935,472	-
Total	(29,400)	-	933,011	-

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15 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the three-month and nine-month periods ended 30 September 2020 and 2019 were based on the profit (loss) for the periods attributable to ordinary shareholders of the Company and the ordinary shares outstanding during the periods as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	<i>(in thousand Baht / thousand shares)</i>			
Profit (loss) for the period attributable to ordinary shareholders of the Company (basic)	206,030	1,313,592	(30,071)	2,281,579
Number of ordinary shares outstanding	2,211,153	2,211,153	2,211,153	2,211,153
Basic earnings (loss) per share (in Baht)	0.09	0.59	(0.01)	1.03

16 Fair value of financial assets and liabilities

16.1 Carrying amounts and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts and Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in thousand Baht)</i>			
At 30 September 2020				
Financial assets				
Investment in securities				
Investment measured at fair value through profit or loss	2,932	-	-	2,932
Investment measured at fair value through other comprehensive income	12,340,781	98,053,752	847,089	111,241,622
Total investment in securities	12,343,713	98,053,752	847,089	111,244,554
Derivative assets	-	108,160	-	108,160
Investment assets where policyholders bear the investment risk	9,085,624	-	-	9,085,624
Financial liabilities				
Derivative liabilities	-	438,187	-	438,187

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	Carrying amounts and Fair value			
	Level 1	Level 2	Level 3	Total
	(in thousand Baht)			
At 31 December 2019				
Financial assets				
Investment in securities				
Trading securities	3,068	-	-	3,068
Available-for-sale securities	24,677,614	94,565,380	-	119,242,994
Total investment in securities	24,680,682	94,565,380	-	119,246,062
Derivative assets	-	253,640	-	253,640
Investment assets where policyholders bear the investment risk	8,669,825	-	-	8,669,825
Financial liabilities				
Derivative liabilities	-	4,478	-	4,478

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. at prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company determines Level 2 fair values for debt securities using the clean price on last day of the period provided by the Thai Bond Market Association and foreign issued debt securities using quotes from brokers and dealers.

The Company determines level 2 fair values for unit trusts using the net asset value (NAV) on the last business day of the period provided by assets management companies.

The Company determines level 2 fair values for promissory notes using discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on counterparty quotes.

The Company determines level 3 fair value based on multiple of price per book value approach for equity securities which are not marketable.

The Company determines level 3 fair value for debt securities based on recovery rate estimated and announced on ThaiBMA.

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. During the three-month and nine-month periods ended 30 September 2020, debt security having fair value of 839.6 million was transferred from level 2 to level 3 (31 December 2019: Nil).

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16.2 Fair value of financial assets and liabilities not measured at fair value

The fair value of significant financial assets and liabilities did not have significant difference with carrying value as shown in statement of financial position as at 30 September 2020 and 31 December 2019.

17 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with key management personnel and related parties were as follows:

Name of entities/Personnel	Country of Incorporation/ Nationality	Nature of relationships
Key management personnel	Thailand/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the Company
Prudential Plc	United Kingdom	Ultimate parent of Prudential group
Staple Limited	Thailand	Parent company, holds 51.21% of the Company's shares
Prudential Corporation Holdings Limited	United Kingdom	Major shareholder, holds 48.72% of the Company's shares
Prudential Holdings Limited	United Kingdom	Intermediate parent company
Prudential Corporation Asia Limited	Hong Kong	Intermediate parent company
Affiliate of Prudential Group	Thailand/ Foreign	Related party of Prudential Group

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Investment management fee expenses	Contractually agreed price
Operating expenses	Contractually agreed price
Interest expense on promissory note	Contractually agreed rate

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Significant transactions for the three-month and nine-month periods ended 30 September 2020 and 2019 with key management personnel and related parties were as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
Revenue				
Affiliate of Prudential Group				
Trailing fee	4,647	2,621	12,225	6,862
Expenses				
Subsidiary				
Impairment loss in investment in subsidiary	-	39	-	40
Interest expense on promissory note	-	28	-	83
Expenses				
Affiliate of Prudential Group				
Investment management fee expenses	36,648	33,273	108,035	89,876
Investment related expenses and operating expenses	67,942	42,027	167,189	174,522
Other underwriting expenses	69,319	-	194,651	-
Directors and key management personnel compensation				
Short-term employee benefits	70,209	44,659	206,739	128,584
Post-employment benefit	2,714	3,739	7,865	14,716
Other long-term benefits	5,607	7,115	20,103	28,265
Total	78,530	55,513	234,707	171,565

Significant balances as at 30 September 2020 and 31 December 2019 with related parties were as follows:

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Other assets		
Affiliate of Prudential Group	<u>2,234</u>	<u>3,990</u>
Accrued investment management fee		
Affiliate of Prudential Group	<u>11,076</u>	<u>22,305</u>
Other liabilities		
Affiliate of Prudential Group	<u>349,815</u>	<u>330,894</u>

Significant agreements with related parties

Investment Management Agreement

The Company has entered into an Investment Management Agreement with an affiliate of the Prudential Group. The affiliate agreed to act as the Company's investment manager. The Company is committed to pay a management fee at the rate in agreements. These agreements can be terminated upon 3 months written notice.

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Service agreements

In 2018, the Company entered into Service Agreements with Prudential Holdings Limited (“PHL”), an intermediate parent company, which is Prudential Regional Head Office in Asia, for the provision of services and support for both IT and non-IT services to the Company, for a period of five years. In consideration of the provision of services provided by PHL, the Company shall pay to PHL a service fee as set out in the agreements. The agreements can be terminated upon one month written notice and can be extended upon not less than one month written notice prior to the expiry of the term of these agreements by either party.

In 2020, the Service Agreements mentioned earlier were novated from PHL to Prudential Corporation Holdings Limited (“PCHL”), major shareholder, which becomes Prudential Regional Head Office in Asia.

18 Securities and assets pledged with the Registrar

- 18.1 The Company’s investment in debt securities have been pledged with the Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	30 September 2020		31 December 2019	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Government bonds	44,340	30,000	45,478	30,000

- 18.2 The Company’s investment in debt securities have been pledged as life assurance policy reserve with the Registrar in accordance with Section 24 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	30 September 2020		31 December 2019	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Government and state enterprise bonds	26,170,759	20,195,500	28,170,924	19,175,700
Promissory notes	1,402,762	1,000,000	1,442,516	1,000,000
Total	27,573,521	21,195,500	29,613,440	20,175,700

19 Commitments with non-related parties

	30 September 2020	31 December 2019
	(in thousand Baht)	
(a) <i>Capital commitments</i>		
<i>Contracted but not provided for:</i>		
Building improvements	4,208	10,232
Software licenses	3,794	3,733
Total	8,002	13,965

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	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
(b) Non-cancellable operating service agreement		
Within 1 year	19,818	21,620
1 - 5 years	-	14,426
Total	19,818	36,046

	30 September 2020	31 December 2019
	<i>(in thousand Baht)</i>	
(c) Non-cancellable operating lease commitments		
Within 1 year	-	22,594
1 - 5 years	-	16,501
Total	-	39,095