

**Prudential Life Assurance (Thailand)
Public Company Limited**

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report



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Independent Auditor's Report

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

Opinion

I have audited the financial statements of Prudential Life Assurance (Thailand) Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion


I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made. 



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
27 March 2020

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2019	2018
		<i>(in Baht)</i>	
Cash and cash equivalents	4	1,916,845,997	1,358,957,480
Premiums due and uncollected	5	566,407,209	509,489,687
Accrued investment income		986,861,790	836,676,679
Reinsurance receivables		124,972,366	95,357,353
Derivative assets		253,640,155	285,608,657
Investments assets			
Investments in securities	6, 22, 24	119,248,929,294	97,391,122,477
Loans	7	2,530,379,362	2,209,179,392
Investment in subsidiary	8, 23	-	7,428,435
Investment assets where policyholders bear the investment risk	9	8,669,824,714	6,632,839,073
Non-current assets held for sale		10,029,844	10,029,844
Premises and equipment	10	107,816,866	142,295,824
Intangible assets	11	11,105,950,770	11,580,293,308
Other assets	23	656,638,010	495,156,693
Total assets		<u>146,178,296,377</u>	<u>121,554,434,902</u>

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and shareholders' equity	Note	31 December	
		2019	2018
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	12	98,844,838,270	87,770,875,915
Investment contract liabilities	13	8,759,234,408	6,677,247,097
Investment payable		411,200,000	20,637,466
Due to reinsurers		283,183,712	203,248,359
Accrued commission		418,751,524	595,617,153
Accrued expenses	23	848,150,168	658,879,667
Employee benefit obligations		269,531,650	334,380,077
Deferred tax liabilities	19	2,454,880,737	378,018,593
Derivative liabilities		4,478,470	-
Income tax payable		-	55,608,401
Other liabilities	23	1,034,725,438	774,867,732
Total liabilities		113,328,974,377	97,469,380,460
Shareholders' equity			
Share capital	14		
Authorised share capital		20,209,935,239	20,209,935,239
Issued and paid share capital		20,209,935,239	20,209,935,239
Retained earnings			
Appropriated			
Legal reserve	15	454,973,635	322,361,994
Unappropriated		3,156,585,371	2,094,434,993
Other components of shareholders' equity			
Net fair value changes in available-for-sale securities	6, 15	9,027,827,755	1,458,322,216
Total shareholders' equity		32,849,322,000	24,085,054,442
Total liabilities and shareholders' equity		146,178,296,377	121,554,434,902

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

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

	<i>Note</i>	For the year ended 31 December	
		2019	2018
		<i>(in Baht)</i>	
Revenues			
Gross premium written		22,847,153,578	21,536,832,558
Less premium ceded		<u>(191,912,450)</u>	<u>(198,683,034)</u>
Net premiums written		22,655,241,128	21,338,149,524
Add (less) unearned premium reserve decreased (increased) from previous year		<u>(59,310,426)</u>	<u>15,956,715</u>
Net premium earned		22,595,930,702	21,354,106,239
Commission and brokerage income		76,524,314	154,519,442
Net investments income	16, 23	3,823,474,355	2,954,296,934
Gain on investments	23	782,015,916	473,746,316
Gain on fair value changes		866,057,589	157,177,060
Other income		<u>70,867,069</u>	<u>27,284,592</u>
Total revenues		<u>28,214,869,945</u>	<u>25,121,130,583</u>
Expenses			
Long-term technical reserve increase from prior year		10,806,863,467	10,844,089,773
Benefits payments and insurance claims expenses	18	7,345,835,916	6,030,571,783
Less benefits payments and insurance claims expenses recovered from reinsurers		<u>(69,132,142)</u>	<u>(78,428,738)</u>
Net benefits payments and insurance claims expenses		7,276,703,774	5,952,143,045
Commissions and brokerage expenses		2,918,095,446	3,082,682,319
Other underwriting expenses	18, 25	2,130,203,166	1,254,338,046
Operating expenses	17, 18, 23	<u>2,245,123,014</u>	<u>2,233,710,477</u>
Total expenses		<u>25,376,988,867</u>	<u>23,366,963,660</u>
Profit before income tax		<u>2,837,881,078</u>	<u>1,754,166,923</u>
Income tax	19	<u>185,648,263</u>	<u>334,156,571</u>
Net profit		<u>2,652,232,815</u>	<u>1,420,010,352</u>
Other comprehensive income			
<i>Components of other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
Defined benefit plan actuarial gain (loss)		85,280,667	(7,245,673)
Income tax relating to components of the comprehensive income that will not be reclassified subsequently to profit or loss		<u>(17,056,133)</u>	<u>1,449,135</u>
		<u>68,224,534</u>	<u>(5,796,538)</u>
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Net change in fair value on available-for-sale securities		9,461,881,924	(2,980,507,554)
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		<u>(1,892,376,385)</u>	<u>596,101,511</u>
		<u>7,569,505,539</u>	<u>(2,384,406,043)</u>
Other comprehensive income for the year, net of income tax		<u>7,637,730,073</u>	<u>(2,390,202,581)</u>
Total comprehensive income for the year		<u>10,289,962,888</u>	<u>(970,192,229)</u>
Basic earnings per share	20	<u>1.20</u>	<u>0.64</u>

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

Prudential Life Assurance (Thailand) Public Company Limited
Statement of changes in equity

	Note	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Issued and paid share capital	Legal reserve	Net fair value changes in available-for-sale securities		
				Unappropriated (in Baht)		
Year ended 31 December 2018						
Balance at 1 January 2018		20,209,935,239	251,361,476	2,564,366,872	3,842,728,259	26,868,391,846
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends to shareholders of the Company	21	-	-	(1,813,145,175)	-	(1,813,145,175)
Total transactions with shareholders, recorded directly in equity		-	-	(1,813,145,175)	-	(1,813,145,175)
Comprehensive income for the year						
Net profit		-	-	1,420,010,352	-	1,420,010,352
Other comprehensive income						
Net change in fair value on available-for-sale securities, net of income tax		-	-	-	(2,384,406,043)	(2,384,406,043)
Defined benefit plan actuarial loss, net of income tax		-	-	(5,796,538)	-	(5,796,538)
Total comprehensive income for the year		-	-	1,414,213,814	(2,384,406,043)	(970,192,229)
Transfer to legal reserve		-	71,000,518	(71,000,518)	-	-
Balance at 31 December 2018	15	20,209,935,239	322,361,994	2,094,434,993	1,458,322,216	24,085,054,442

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

Prudential Life Assurance (Thailand) Public Company Limited
Statement of changes in equity

	Note	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Issued and paid share capital	Legal reserve	Net fair value changes in available-for-sale securities		
				Unappropriated (in Baht)		
Year ended 31 December 2019						
Balance at 1 January 2019		20,209,935,239	322,361,994	2,094,434,993	1,458,322,216	24,085,054,442
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends to shareholders of the Company	21	-	-	(1,525,695,330)	-	(1,525,695,330)
Total transactions with shareholders, recorded directly in equity		-	-	(1,525,695,330)	-	(1,525,695,330)
Comprehensive income for the year						
Net profit		-	-	2,652,232,815	-	2,652,232,815
Other comprehensive income						
Net change in fair value on available-for-sale securities, net of income tax		-	-	-	7,569,505,539	7,569,505,539
Defined benefit plan actuarial gain, net of income tax		-	-	68,224,534	-	68,224,534
Total comprehensive income for the year		-	-	2,720,457,349	7,569,505,539	10,289,962,888
Transfer to legal reserve	15	-	132,611,641	(132,611,641)	-	-
Balance at 31 December 2019		20,209,935,239	454,973,635	3,156,585,371	9,027,827,755	32,849,322,000

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of cash flows

		For the year ended 31 December	
	Note	2019	2018
		<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>			
Premiums received		22,404,290,642	21,086,090,101
Cash received from (paid to) reinsurers		(42,756,321)	34,848,805
Interest received		3,249,318,806	2,752,154,881
Dividend received		539,072,570	64,793,455
Other income		94,848,591	57,393,907
Benefit payments and insurance claims expenses		(7,138,047,455)	(5,848,076,320)
Commissions and brokerages		(3,094,961,075)	(2,889,742,930)
Other underwriting expenses		(1,485,431,669)	(965,906,766)
Operating expenses		(1,917,383,045)	(1,932,897,552)
Income tax paid		(105,150,617)	(402,081,762)
Investments in securities		(10,424,452,813)	(12,035,861,174)
Loans		64,973,179	242,369,899
Investment assets where policyholders bear the investment risk		(15,923,314)	(29,046,116)
Net cash provided by operating activities		<u>2,128,397,479</u>	<u>134,038,428</u>
<i>Cash flows from investing activities</i>			
Proceeds from sale of premises and equipment		112,250	-
Acquisition of premises and equipment		(13,240,866)	(5,821,609)
Acquisition of intangible assets		(31,685,016)	(87,984,349)
Net cash used in investing activities		<u>(44,813,632)</u>	<u>(93,805,958)</u>
<i>Cash flows from financing activities</i>			
Dividends paid to owners of the Company	21	(1,525,695,330)	(1,813,145,175)
Net cash used in financing activities		<u>(1,525,695,330)</u>	<u>(1,813,145,175)</u>
Net increase (decrease) in cash and cash equivalents		557,888,517	(1,772,912,705)
Cash and cash equivalent at beginning of period		1,358,957,480	3,131,870,185
Cash and cash equivalent at ending of period	4	<u>1,916,845,997</u>	<u>1,358,957,480</u>

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

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

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Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

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

These financial statements were approved and authorised for issue by the Board of Directors on 27 March 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 (2018: 1 branch).

The immediate and ultimate parent companies during the financial year were Staple Limited (51.2% 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. Details of the Company’s subsidiary as at 31 December 2019 and 2018 are given in notes 8 and 23.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs), guidelines promulgated by the Federation of Accounting Professions and 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 the Operations of Life Insurance Companies” B.E 2559, dated 4 March 2016.

The new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRSs has resulted in changes in certain of the Company’s accounting policies. These changes have no material effect on the financial statements.

In addition a number of new and revised TFRSs are not yet effective for current periods. The Company has not early adopted these standards in preparing these financial statements. Those new and revised TFRSs that are relevant to the Company’s operations are disclosed in note 28.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Trading and available-for-sale investments	Fair value
Investment assets where policyholders bear the investment risk	Fair value

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

(c) *Functional and presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2019 that have a significant risk resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 12	Insurance contract liabilities
Note 13	Investment contract liabilities

Long-term technical reserves

The Company determines the long-term technical reserves based on the Net Level Premium Valuation method (NPV). The carrying amount as at the reporting date is provided in note 12.

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and pricing rates that were established at the time when insurance products were designed and as approved by the Office of Insurance Commission. These assumptions are locked-in and used for calculating the liabilities over the life of the contract. This year, there are no changes in assumptions from last year.

Short-term technical reserves

Short-term technical reserves consist of loss reserves, outstanding claims and premium reserves. The carrying amount as at the reporting date is provided in note 12.

Process involved in determining assumptions

The Company determines the loss reserves and outstanding claims in accordance with the Company's claim assessment. The assumptions used in the estimation are intended to result in provisions which are sufficient to cover any liabilities arising from insurance contracts that can be foreseen to a reasonable extent.

However, given the uncertainty in establishing a provision for insurance claims, it is likely that the final liability could be significantly different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

The Company uses “Bornhuetter-Ferguson” method, “Chain Ladder” method and “Expected Loss Ratio” method to estimate claims incurred but not reported depending on the maturity of a particular line of business and the type of business written.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

Further information about the methods and assumptions made in measuring fair values is disclosed in note 22.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Exemption from consolidation*

The Company has not prepared consolidated financial statements for the year ended 31 December 2019 and 2018; in accordance with the Thai Accounting Standard No.27 (revised 2018) Separate Financial Statements and Thai Financial Reporting Standard No.10 (revised 2018) Consolidated Financial Statements. The Company had informed all its common shareholders that management intend to present the Company’s financial statements on a non-consolidated basis, and no objections were raised. The results of the Company are consolidated into the financial statements of its ultimate parent company, Prudential Plc.

(b) *Foreign currencies*

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at the reporting date. Foreign exchange differences arising from translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

(c) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from investment activities. Derivative financial instruments are not used for trading purposes.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The fair value of derivatives is based on valuation techniques, including discounted cash flow models.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

(d) *Cash and cash equivalents*

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

(e) *Classification of insurance and investment contracts*

The Company issues insurance contracts that transfer insurance risk. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than if the insured event did not occur.

(f) *Recognition and measurement of insurance contracts*

Premiums receivables

Premiums receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

For individual policies that have cash values and is overdue for more than the grace period, the premiums receivables will be settled by granting automatic policy loans where the cash value is greater than the amount due.

Long-term technical reserves

A liability for contractual benefits and claims that are expected to be incurred in the future is recorded when the premiums are recognised and is released when benefit and claims are incurred. The liability is measured using "Net Premium Valuation" method and these assumptions considered to be appropriate for the policies in force and calculated by the internal actuary of the Company.

Loss reserves and outstanding claims

Loss reserves and outstanding claims are recorded for the estimated cost of all claims notified but not settled at the reporting date, using the information available at the time. In addition, a loss reserve is also made for the cost of claims incurred but not reported as at the reporting date based on the Company's experience and historical data. Differences between the provision for loss reserves and outstanding claims at the reporting date and subsequent revisions and settlements are included in the profit or loss.

Premium reserves

The premium reserves comprise of the unearned premium reserve and unexpired risk reserve.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

Unearned premium reserve

The unearned premium reserve for short-term group insurance, short-term riders and short-term insurance are calculated based on a pro-rata basis of the premium based on the remaining duration of each policy.

Unexpired risks reserve

Unexpired risks reserve is the reserve for the claims, which may occur, of the in-force policy. Unexpired risks reserve is set aside using an actuarial method. The reserve is calculated as the best estimate of the claims, which are expected to occur during the remaining coverage periods, based on the historical claims data.

Premium written and premium earned

Short-term insurance contracts

Premium written is recognised as revenue on the inception date and its value is presented as gross of premium before reinsurance ceding and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage of insurance policy.

Long-term insurance contracts

First year gross premium written is recognised on the effective date. Renewal gross premium written is recognised when premium is due, only if the policy is still in force. First year gross premium written and renewal gross premium written values are presented as gross of premium before reinsurance ceding and commissions and brokerage expenses.

Premium received in advance is not recognised until the due date.

Commissions and brokerage expenses

Commissions and brokerage expenses are recognised as expenses when incurred.

Benefits, claims and loss adjustment expenses

Benefits, claims and loss adjustment expenses consist of benefits, claims and losses adjustment paid during the years, net of changes in provision for short-term insurance claims are recognised as expense in profit or loss when incurred.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, reinsurer's share of change in unearned premium reserve, commission income and benefits, claims and loss adjustment expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

Prudential Life Assurance (Thailand) Public Company Limited

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For the year ended 31 December 2019

An asset or liability is recognised in the statement of financial position representing reinsurance receivables, reinsurer's share of insurance contract liabilities and reinsurance payables. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Liability adequacy test

Short-term insurance contracts

The liability of the Company under short-term insurance contracts is tested for adequacy by comparing the best estimate using an actuarial method with the carrying amount of unearned premiums reserve at the reporting date. Where an expected shortfall is identified, additional provisions are made for short-term reserves and are recognised in profit or loss.

Long-term insurance contracts

The liability of the Company under long-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows by using current best estimate assumptions with the carrying amount of long-term technical reserves at the reporting date. Where an expected shortfall is identified, additional provisions are made for long-term technical reserves are recognised in profit or loss.

An additional provision for liability inadequacy is made where the reserves are calculated by using actuarial method "Gross Premium Valuation" based on current assumptions of policies in force at the reporting date exceeds the liabilities calculated by using Net Premium Valuation method.

Unbundling of deposit components

Some insurance contracts contain both insurance component and a deposit component. In some cases, an insurer is required or permitted to unbundle those components:

The Company's accounting policy requires unbundling a deposit component if both the following conditions are met:

- (1) the Company can measure the deposit component (including any embedded surrender options) separately (i.e. without considering the insurance component) and
- (2) The Company's accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component.

(g) Investments in securities

Investments in debt and equity securities

Debt securities and marketable equity securities held for trading are stated at fair value with any resultant gain or loss recognised in profit or loss.

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Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value and change therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

Initial recognition

Purchases and sales of investments are initially recognized on trade date which is the date that the Company commits to purchase or sell the investments.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(h) *Investment in subsidiary*

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for using the cost method.

(i) *Loans*

Loans are stated at the principal amounts less allowance for doubtful accounts.

The Company provides an allowance for doubtful accounts based on the overdue period and the collateral value.

(j) *Non-current assets held for sale*

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, these assets are no longer depreciated.

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For the year ended 31 December 2019

(k) Premises and equipment

Recognition and measurement

Owned assets

Land is measured at cost less impairment losses. Building and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When separate parts of building and equipment have different useful lives, they are accounted for individually (major components).

Any gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of premise and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of premise and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of building and equipment. The estimated useful lives are as follows:

Buildings	20	years
Buildings improvements	5	years
Leasehold improvements	5 and 9	years
Office equipment and furniture	5	years
Motor vehicles	5	years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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For the year ended 31 December 2019

(l) *Intangible assets*

Software licences

Software licences that are acquired by the Company and have finite useful lives are stated at cost less accumulated amortisation and impairment losses. Software licences are amortised in profit or loss on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives is 5 years.

No amortisation is provided on intangible assets under installation.

Bancassurance agreements

Bancassurance agreements recognised in intangible asset are stated at cost less accumulated amortisation and accumulated impairment losses (if any). They are being amortised in profit or loss based on achievement of performance targets over the life of the agreements, which is between 15-18 years.

Performance targets, amortisation methods, useful lives and residual rates are reviewed at each financial year-end and adjusted as appropriate.

(m) *Impairment*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the assets' value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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For the year ended 31 December 2019

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Due to reinsurers and other accounts payable

Due to reinsurers and other accounts payable are stated at cost.

(o) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are personnel expensed as the related service is provided.

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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For the year ended 31 December 2019

(p) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Revenue

Interest and dividend income

Interest income is recognised in the statement of income as it accrues, except when interest is in arrears for more than 6 months when it is recognised on a cash basis. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

(r) Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(s) Income tax expense

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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For the year ended 31 December 2019

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(ii) Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Company; a person entity that are under common control or under the same significant influence as the Company, or the Company had direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

4 Cash and cash equivalents

	2019	2018
	<i>(in thousand Baht)</i>	
Cash on hand	1,266	1,370
Deposits at banks - call deposits	1,915,580	1,357,587
Total	1,916,846	1,358,957

As at 31 December 2019 and 2018, cash and cash equivalents were denominated entirely in Thai Baht.

5 Premiums due and uncollected

As at 31 December 2019 and 2018, the balances of premiums due and uncollected are classified by aging as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Within due	488,528	448,835
Overdue		
Not over than 30 days	67,505	60,329
31 - 60 days	10,244	206
61 - 90 days	110	59
91 days - 1 year	172	409
Over 1 year	7	39
Total	566,566	509,877
<i>Less</i> allowance for doubtful accounts	<i>(159)</i>	<i>(387)</i>
Net	566,407	509,490

Prudential Life Assurance (Thailand) Public Company Limited

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For the year ended 31 December 2019

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.

6 Investments in securities

6.1 Investments in securities types

(a) *Trading and available-for-sale securities comprise of:*

	Cost/ amortised cost	Unrealised gain	2019 Unrealised loss <i>(in thousand Baht)</i>	allowance for impairment	Fair value
<i>Trading securities</i>					
Unit trusts	2,809	339	(80)	-	3,068
Total trading securities	2,809	339	(80)	-	3,068
<i>Available-for-sale securities</i>					
<i>Government and state enterprise securities</i>					
Bonds	36,450,012	9,552,836	-	-	46,002,848
Debentures	3,284,985	214,874	-	-	3,499,859
Notes	1,000,000	442,516	-	-	1,442,516
<i>Corporate securities</i>					
Debentures	40,930,791	2,436,633	(78,592)	-	43,288,832
Notes	217	-	-	(217)	-
<i>Foreign securities</i>					
Bonds	30,149	1,016	-	-	31,165
Debentures	233,017	6,787	-	-	239,804
<i>Equity securities</i>					
	7,557,485	81,491	(749,532)	-	6,889,444
<i>Unit trusts</i>	18,471,771	603,355	(1,226,600)	-	17,848,526
Total available-for-sale securities	107,958,427	13,339,508	(2,054,724)	(217)	119,242,994

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	Cost/ amortised cost	Unrealised gain	2018		Fair value
			Unrealised loss	allowance for impairment	
<i>(in thousand Baht)</i>					
Trading securities					
Unit trusts	2,784	232	(200)	-	2,816
Total trading securities	2,784	232	(200)	-	2,816
Available-for-sale securities					
<i>Government and state enterprise securities</i>					
Bonds	43,608,269	1,853,284	(765,177)	-	44,696,376
Debentures	4,045,064	195,522	(4,877)	-	4,235,709
Notes	1,000,000	152,594	-	-	1,152,594
<i>Corporate securities</i>					
Debentures	30,937,938	950,709	(178,564)	-	31,710,083
Notes	217	-	-	(217)	-
<i>Foreign securities</i>					
Bonds	30,292	1,529	-	-	31,821
Debentures	119,799	431	-	-	120,230
<i>Unit trusts</i>	<i>15,822,728</i>	<i>231,439</i>	<i>(613,988)</i>	<i>-</i>	<i>15,440,179</i>
Total available-for-sale securities	95,564,307	3,385,508	(1,562,606)	(217)	97,386,992

(b) *General investments comprise of:*

	2019		2018	
	Cost/ carrying value <i>(in thousand Baht)</i>	Fair value	Cost/ carrying value <i>(in thousand Baht)</i>	Fair value
General investments				
Equity securities	3,330	7,285	1,777	5,698
Less allowance for impairment	(463)	-	(463)	-
Total general investments	2,867	7,285	1,314	5,698

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6.2 Remaining period of investments in debt securities

As at 31 December 2019 and 2018, investments in debt securities were classified by the remaining period to maturity as follows:

	Within 1 year	2019 Maturity		Over 10 years	Total
		1 - 5 years	5 - 10 years <i>(in thousand Baht)</i>		
<i>Available-for-sale securities</i>					
<i>Government and state enterprise securities</i>					
Bonds	359,608	2,634,358	3,321,215	30,134,831	36,450,012
Debentures	200,307	2,539,020	490,000	55,658	3,284,985
Notes	-	-	-	1,000,000	1,000,000
<i>Corporate securities</i>					
Debentures	-	12,815,814	21,783,117	6,331,860	40,930,791
Notes	217	-	-	-	217
<i>Foreign securities</i>					
Bonds	-	30,149	-	-	30,149
Debentures	-	233,017	-	-	233,017
Total	560,132	18,252,358	25,594,332	37,522,349	81,929,171
<i>Add net unrealised gain from fair value changes on securities</i>	2,900	847,088	2,011,649	9,714,433	12,576,070
<i>Less allowance for impairment</i>	(217)	-	-	-	(217)
Total available-for-sale securities	562,815	19,099,446	27,605,981	47,236,782	94,505,024

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	2018				Total
	Within 1 year	Maturity		Over 10 years	
		1 - 5 years	5 - 10 years		
		<i>(in thousand Baht)</i>			
<i>Available-for-sale securities</i>					
<i>Government and state enterprise securities</i>					
Bonds	3,460,534	3,693,912	4,648,481	31,805,342	43,608,269
Debentures	261,240	1,911,201	1,304,697	567,926	4,045,064
Notes	-	-	-	1,000,000	1,000,000
<i>Corporate securities</i>					
Debentures	500,080	6,773,674	20,383,281	3,280,903	30,937,938
Notes	217	-	-	-	217
<i>Foreign securities</i>					
Bonds	-	30,292	-	-	30,292
Debentures	-	119,799	-	-	119,799
Total	4,222,071	12,528,878	26,336,459	36,654,171	79,741,579
Add net unrealised gain from fair value changes on securities	6,018	409,953	848,725	940,755	2,205,451
Less allowance for impairment	(217)	-	-	-	(217)
Total available-for-sale securities	4,227,872	12,938,831	27,185,184	37,594,926	81,946,813

6.3 Net fair value changes on available-for-sale securities

	31 December	
	2019	2018
	<i>(in thousand Baht)</i>	
Net change in fair value on available-for-sale securities	11,284,784	1,822,902
Less deferred tax liability	(2,256,956)	(364,580)
Net	9,027,828	1,458,322

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8 Investment in subsidiary

Investment in subsidiary as at 31 December 2019 and 2018 was as follows:

Name of subsidiary	Type of business	Ownership interest (%)		Paid-up capital		At cost		Allowance for impairment loss		At cost - net	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Thanachart Life Assurance Public Company Limited	Life insurance	-	100	-	3,708	-	2,129,313	-	(2,121,885)	-	7,428

The movement in the carrying value of the Subsidiary was as follows:

	2019	2018
At 1 January		(in thousand Baht)
Less allowance for impairment	7,428	7,447
Less capital return	(40)	(19)
At 30 September 2019 and 31 December 2018	(7,388)	-
		7,428

The Company received the capital return in the amount of Baht 7.38 million from Thanachart Life Assurance Public Company Limited (“TLife”) on 30 September 2019 and TLife registered for a completion of a liquidation process with Department of Business Development, the Ministry of Commerce on 31 October 2019, which was certified by ministry of commerce on 11 November 2019.

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9 Investment assets where policyholders bear the investment risk

	2019		2018	
	Cost	Fair value <i>(in thousand Baht)</i>	Cost	Fair value
Unit trusts in fixed income funds	1,755,963	1,786,606	1,027,656	1,033,441
Unit trusts in equity funds	4,625,405	4,825,557	4,617,418	4,105,886
Unit trusts in mixed funds	1,977,951	2,001,962	1,581,248	1,491,107
Unit trusts in other funds	54,356	55,700	2,312	2,405
Total	8,413,675	8,669,825	7,228,634	6,632,839
<i>Add unrealised surpluses from fair value changes in investments</i>	256,150	-	(595,795)	-
Total Investment assets where policyholders bear the investment risk	8,669,825	8,669,825	6,632,839	6,632,839

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10 Premises and equipment

<i>Cost</i>	Land	Buildings	Buildings improvements	Leasehold improvements <i>(in thousand Baht)</i>	Office equipment and furniture	Assets under construction	Total
At 1 January 2018	4,844	13,114	7,571	210,057	276,286	-	511,872
Additions	-	-	-	57	8,565	-	8,622
Transfers	-	-	-	-	-	-	-
Disposals and write-offs	-	-	-	-	-	-	-
At 31 December 2018 and 1 January 2019	4,844	13,114	7,571	210,114	284,851	-	520,494
Additions	-	-	-	2,739	10,705	1,945	15,389
Transfers	-	-	-	1,051	-	(1,051)	-
Disposals and write-offs	-	-	-	-	(15,822)	-	(15,822)
At 31 December 2019	4,844	13,114	7,571	213,904	279,734	894	520,061
<i>Accumulated depreciation</i>							
At 1 January 2018	-	13,113	6,654	116,664	190,441	-	326,872
Depreciation charge for the year	-	-	-	23,785	27,541	-	51,326
Transfers	-	-	-	-	-	-	-
Disposals and write-offs	-	-	-	-	-	-	-
At 31 December 2018 and 1 January 2019	-	13,113	6,654	140,449	217,982	-	378,198
Depreciation charge for the year	-	-	-	24,486	25,375	-	49,861
Transfers	-	-	-	-	-	-	-
Disposals and write-offs	-	-	-	-	(15,815)	-	(15,815)
At 31 December 2019	-	13,113	6,654	164,935	227,542	-	412,244
<i>Net book value</i>							
At 1 January 2018	4,844	1	917	93,393	85,845	-	185,000
At 31 December 2018 and 1 January 2019	4,844	1	917	69,665	66,869	-	142,296
At 31 December 2019	4,844	1	917	48,969	52,192	894	107,817

The gross amount of the Company's fully depreciated building and equipment that was still in use as at 31 December 2019 amounted to Baht 390.6 million (2018: Baht 276.5 million).

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11 Intangible assets

	Software licenses	Software under development <i>(in thousand Baht)</i>	Bancassurance agreement	Total
Cost				
At 1 January 2018	276,105	50,679	12,775,406	13,102,190
Additions	31,369	123,086	-	154,455
Transfers in/ (out)	105,061	(105,061)	-	-
Disposals and write-offs	-	-	-	-
At 31 December 2018 and 1 January 2019	412,535	68,704	12,775,406	13,256,645
Additions	851	118,193	-	119,044
Transfers in/ (out)	82,936	(82,936)	-	-
Disposals and write-offs	(421)	-	-	(421)
At 31 December 2019	495,901	103,961	12,775,406	13,375,268
Accumulated amortisation				
At 1 January 2018	148,480	-	1,019,470	1,167,950
Amortisation charge for the year	89,102	-	419,300	508,402
Disposals and write-offs	-	-	-	-
At 31 December 2018 and 1 January 2019	237,582	-	1,438,770	1,676,352
Amortisation charge for the year	89,406	-	503,580	592,986
Disposals and write-offs	(21)	-	-	(21)
At 31 December 2019	326,967	-	1,942,350	2,269,317
Net book value				
At 1 January 2018	127,625	50,679	11,755,936	11,934,240
At 31 December 2018 and 1 January 2019	174,953	68,704	11,336,636	11,580,293
At 31 December 2019	168,934	103,961	10,833,056	11,105,951

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12 Insurance contract liabilities

	2019		2018	
	Liabilities under insurance contracts	Reinsurers' share liabilities	Liabilities under insurance contracts	Reinsurers' share liabilities
Long-term technical reserves	97,678,686	-	86,871,823	-
Short-term technical reserves				
Loss reserves and outstanding claims				
- Case reserves	50,947	-	37,158	-
- Incurred but not reported	45,377	-	33,740	-
Total loss reserves and outstanding claims	96,324	-	70,898	-
Unearned premium reserves	281,963	-	222,653	-
Total short-term technical reserves	378,287	-	293,551	-
Unpaid policy benefits	301,988	-	284,577	-
Due to insured	485,877	-	320,925	-
Total	98,844,838	-	87,770,876	-
			Net	Net
			<i>(in thousand Baht)</i>	
	97,678,686		86,871,823	86,871,823

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12.1 Long-term technical reserves

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	86,871,823	76,027,733
Reserve increase from new and inforce policies during the year	16,701,818	15,513,378
Reserves released for benefits payment, lapse and policies cancelled during the year	<u>(5,894,955)</u>	<u>(4,669,288)</u>
At 31 December	<u>97,678,686</u>	<u>86,871,823</u>

12.2 Short-term technical reserve

12.2.1 Loss reserves and outstanding claims

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	70,898	47,888
Insurance claim expense incurred during the year	527,455	423,542
Insurance claim expense paid during the year	<u>(502,029)</u>	<u>(400,532)</u>
At 31 December	<u>96,324</u>	<u>70,898</u>

12.2.2 Unearned premium reserves

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	222,653	238,610
Premium written during the year	133,072	129,785
Earned premium during the year	<u>(73,762)</u>	<u>(145,742)</u>
At 31 December	<u>281,963</u>	<u>222,653</u>

12.3 Unpaid policy benefits

	2019	2018
	<i>(in thousand Baht)</i>	
Death	71,202	92,817
Unpresented cheques for benefits and claims payment	214,513	181,695
Others	<u>16,273</u>	<u>10,065</u>
Total	<u>301,988</u>	<u>284,577</u>

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12.4 Due to insured

	2019	2018
	<i>(in thousand Baht)</i>	
Policyholder deposits	476,065	311,163
Advance premium	42	84
Others	9,770	9,678
Total	<u>485,877</u>	<u>320,925</u>

13 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	6,677,247	3,032,415
Deposit during the year	1,740,660	4,619,606
Withdrawal during the year	(533,447)	(294,173)
Valuation adjustment during the year	874,774	(680,601)
At 31 December	<u>8,759,234</u>	<u>6,677,247</u>

14 Share capital

	Par value per share <i>(in Baht)</i>	2019		2018	
		Number	Amount	Number	Amount
		<i>(thousand shares / thousand Baht)</i>			
Authorised share at 31 December	9.14	<u>2,211,153</u>	<u>20,209,935</u>	<u>2,211,153</u>	<u>20,209,935</u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	9.14	<u>2,211,153</u>	<u>20,209,935</u>	<u>2,211,153</u>	<u>20,209,935</u>
At 31 December					
- ordinary shares	9.14	<u>2,211,153</u>	<u>20,209,935</u>	<u>2,211,153</u>	<u>20,209,935</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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15 Reserves

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of equity

Fair value changes in available-for-sale securities

The fair value changes in available-for-sale securities account within equity comprises the cumulative net changes in the fair value of available-for-sale securities until securities are derecognised or impaired.

16 Net investment income

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Dividend income</i>		
Other parties	819,094	64,793
	<u>819,094</u>	<u>64,793</u>
<i>Interest income</i>		
Other parties	3,143,367	3,035,543
	<u>3,143,367</u>	<u>3,035,543</u>
<i>Interest expense</i>		
Subsidiary	(83)	(111)
Other parties	(4,657)	(3,103)
	<u>(4,740)</u>	<u>(3,214)</u>
<i>Investment related expense</i>		
Related parties	(125,966)	(116,551)
Other parties	(8,281)	(26,274)
	<u>(134,247)</u>	<u>(142,825)</u>
Total	<u>3,823,474</u>	<u>2,954,297</u>

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17 Operating expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Personnel expense	1,225,210	1,156,595
Premises and equipment expense	307,516	373,684
Taxes and duties	94,156	89,895
Reversal of bad debt and doubtful accounts expense	(228)	(79)
Directors' remuneration	800	584
Other operating expenses	617,669	613,031
Total	2,245,123	2,233,710

18 Employee benefit expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Wages and salaries	724,369	695,731
Defined benefit plans	47,092	23,694
Defined contribution plans	42,995	40,640
Others	508,857	433,593
Total	1,323,313	1,193,658

The defined contribution plans comprise provident funds established by the Company for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Company at rates ranging from 5% to 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

19 Income tax

Income tax recognised in profit or loss

	2019	2018
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	72,834	265,845
Adjusted prior year income tax	(54,616)	57,958
Deferred tax expense		
Movements in temporary differences	65,416	10,354
Adjusted prior year deferred tax	102,014	-
Total income tax expense	185,648	334,157

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Reconciliation of effective tax rate

	2019		2018
	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>
			<i>(in thousand</i> <i>Baht)</i>
Profit before income tax		<u>2,837,881</u>	<u>1,754,167</u>
Income tax using the Thai corporation tax rate	20.0	567,576	350,833
Income not subject to tax and expenses not deductible for tax purposes		(4,941)	(74,634)
Utilisation of tax losses on investment in subsidiary		(424,385)	-
Adjust related to prior year		47,398	57,958
Total	<u>6.5</u>	<u>185,648</u>	<u>334,157</u>

Movements in deferred tax balances are as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Deferred tax assets	70,496	51,492
Deferred tax liabilities	<u>(2,525,377)</u>	<u>(429,511)</u>
Net deferred tax liabilities	<u>(2,454,881)</u>	<u>(378,019)</u>

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Movements in total deferred tax assets and liabilities for the year ended 31 December 2019 and 2018 were as follows:

	At 1 January 2019	(Charged) / Credited to:		At 31 December 2019
		Profit or loss <i>(in thousand Baht)</i>	Other comprehensive income	
<i>Deferred tax assets</i>				
Premises and equipment	15,732	2,239	-	17,971
Intangible assets	5,424	3,781	-	9,205
Provisions	1,465	(1,465)	-	-
Employee benefit obligations	17,124	10,204	-	27,328
Unpaid policy benefits	8,301	2,604	-	10,905
Actuarial loss on defined benefit plan	480	-	(480)	-
Premium reserve	2,966	2,121	-	5,087
Total	51,492	19,484	(480)	70,496
<i>Deferred tax liabilities</i>				
Net fair value changes on available-for-sale securities	(364,580)	-	(1,892,376)	(2,256,956)
Unrealised gain on year-end exchange rate adjustment from foreign currency bonds	(7,803)	(194,158)	-	(201,961)
Provision for revaluation of trading securities	(6)	(46)	-	(52)
Actuarial gain on defined benefit plan	-	-	(16,576)	(16,576)
Provision for forward valuation	(57,122)	7,290	-	(49,832)
Total	(429,511)	(186,914)	(1,908,952)	(2,525,377)
Net	(378,019)	(167,430)	(1,909,432)	(2,454,881)

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	At 1 January 2018	(Charged) / Credited to:		At 31 December 2018
		Profit or loss <i>(in thousand Baht)</i>	Other comprehensive income	
Deferred tax assets				
Premises and equipment	13,614	2,118	-	15,732
Intangible assets	15	5,409	-	5,424
Provisions	-	1,465	-	1,465
Employee benefit obligations	24,441	(7,317)	-	17,124
Unpaid policy benefits	6,564	1,737	-	8,301
Actuarial loss on defined benefit plan	-	-	480	480
Premium reserve	1,769	1,197	-	2,966
Total	46,403	4,609	480	51,492
Deferred tax liabilities				
Net fair value changes on available- for-sale securities	(960,682)	-	596,102	(364,580)
Unrealised gain on year-end exchange rate adjustment from foreign currency bonds	(3,798)	(4,005)	-	(7,803)
Provision for revaluation of trading securities	(67)	61	-	(6)
Actuarial gain on defined benefit plan	(969)	-	969	-
Provision for forward valuation	(46,102)	(11,020)	-	(57,122)
Total	(1,011,618)	(14,964)	597,071	(429,511)
Net	(965,215)	(10,355)	597,551	(378,019)

20 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2019 and 2018 were based on the profit the years attributable to ordinary shareholders of the Company and the ordinary shares outstanding during the years as follows:

	2019	2018
Profit for the year attributable to ordinary shareholders of the company (basic)	2,652,233	1,420,010
Number of ordinary shares outstanding	2,211,153	2,211,153
Basic earnings per share (in Baht)	1.20	0.64

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21 Dividends

- (a) At the Company's Annual General Meeting of the shareholders held on 26 April 2019, the shareholders unanimously resolved the appropriation of dividend not exceeding Baht 1,425 million or Baht 0.64 per share. The dividend shall be paid out from the Company's net profit for the year 2018 and unappropriated retain earnings, provided that the Company must be granted prior approval by the Office of Insurance Commission (OIC).

However, on 9 May 2019, the Company received a letter from the OIC informing the Company that the OIC has not approved the calculation of the profit for the operation in the year 2018 in order for dividend payment due to the Company having not met one of the requirements set out in the OIC's notification on seeking approval for paying the dividend. Without the OIC's permission, the Company cannot pay the dividend for the year 2018 to the shareholders in accordance with the approval of the Annual General Shareholders' Meeting.

At the Company's Board of Directors' meeting held on 31 October 2019, the Board of Directors approved the Company's application for dividend payment to the Company's shareholders at the amount not exceeding Baht 1,537 million.

On 6 December 2019, the Company received the approval from the Office of Insurance Commission to pay the dividend to shareholders at the amount not exceeding Baht 1,537 million. The dividend amount to Baht 1,526 million or Baht 0.69 per share was paid out from the Company's net profit for the nine-month period ended 30 September 2019 and the unappropriated retained earnings to shareholders in December 2019.

- (b) On 18 April 2018, the Company received the approval from the Office of Insurance Commission to pay the dividend to shareholders at the amount not exceeding Baht 1,827 million.

At the Company's Annual General Meeting of the shareholders held on 27 April 2018, the shareholders unanimously resolved the appropriation of dividend amounting to Baht 1,813 million or Baht 0.82 per share. The dividend was paid out from the Company's net profit for the year 2017 and unappropriated retain earnings to shareholders in May 2018.

22 Insurance and financial risk management

22.1 Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

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22.2 Insurance risk management

Insurance risk is the risk under any one insurance contract which is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Risks that are specific to the various types of insurance contracts are elaborated as follows:

22.2.1 Underwriting risks

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk and the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The risk selection process determines the groups of insurance risk that are acceptable to the Company so that diversification of insurance risk types is achieved. At the same time, this is to ensure within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

Each group of insurance risks is classified into categories of standard and degree of substandard through underwriting. Medical selection and financial underwriting guidelines included in the Company's underwriting procedures allow the correct assignment of insurance risk to the appropriate classes. Each class has varied premium to reflect the health condition and family medical history of the applicants.

Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced.

Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by products. Policies in excess of the limits are reinsured with other companies.

Mortality and morbidity is monitored monthly and the overall experience was within the Company's assumptions used in "Gross premium valuation" reserve calculation.

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Investment returns

The Company's policy of closely matching the cash flows of assets with those of the corresponding liabilities is designed to mitigate the Company's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis due to the mismatch of assets and corresponding liabilities, which reduces capital adequacy ratio.

Policyholder behaviour

The Company seeks to design products that minimize financial exposure to lapse, surrender and other policyholder behaviour risk. The Company monitors lapse, surrender and other policyholder behaviour experience. Policyholder behaviour experience was when compared to the Company's assumptions used in the "Gross premium valuation" reserve calculation.

Expense overrun risk

The Company prices its products to cover the expected costs of servicing and maintaining them. The Company monitors expenses monthly, including comparisons of actual expenses to expense levels allowed for in pricing and valuation.

In pricing insurance products the Company manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-term to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed that controls expenses within product pricing allowances over the medium to long term.

22.2.2 Concentration of insurance risk

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. The Company has factored the impact of policyholders' behaviour into the assumptions used to measure insurance contract liabilities.

The Company has life insurance for participating and non-participating contracts with guaranteed benefits. The amount of risk to which the Company is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2019, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the average of eight quarters of the zero-coupon Thailand government bond yield curve plus illiquidity premium of around 83 basis points (*31 December 2018: 25 - 43 basis points*). Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 255 basis points from current market interest rates would not be trigger a liability adequacy test adjustment.

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22.3 Capital management

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligations and the requirements of the Office of Insurance Commission, to create shareholder value and deliver sustainable returns to shareholders. The Company performed its own risk and solvency assessment (ORSA) incorporating with its business plan, company key risk, and capital management, taking into account strategic risks and external factors which could negatively affect capital adequacy. Capital management is one of the key responsibilities of Asset and Liability Committee (ALCO). The Company activities to effectively monitor and test our capital sufficiency on a regular basis include but not limited to

- Testing capital adequacy in 3 years Business Plan;
- Regularly testing and forward projection of capital adequacy based on going concern basis and economic downturn; and
- The sensitivity test on any significant changes to assess the impact of key risk variables for better informed decisions.

In accordance with and the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 120% of capital adequacy ratio. It is the Company's policy to hold capital levels in excess of minimum requirement.

22.4 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows.

At 31 December 2019 and 2018, the significant financial assets classified by type of interest rate were as follows:

	2019			Total
	Non-interest bearing	Floating interest rate (in thousand Baht)	Fixed interest rate	
Cash and cash equivalents	68,185	1,848,661	-	1,916,846
Investments in securities				
Bonds	-	-	46,034,013	46,034,013
Debentures	-	-	47,028,495	47,028,495
Notes	-	-	1,442,516	1,442,516
Policy loans	-	-	2,530,260	2,530,260
Total	68,185	1,848,661	97,035,284	98,952,130

	2018			Total
	Non-interest bearing	Floating interest rate (in thousand Baht)	Fixed interest rate	
Cash and cash equivalents	41,644	1,317,313	-	1,358,957
Investments in securities				
Bonds	-	1,601,409	43,126,788	44,728,197
Debentures	-	-	36,066,022	36,066,022
Notes	-	-	1,152,594	1,152,594
Policy loans	-	-	2,209,155	2,209,155
Total	41,644	2,918,722	82,554,559	85,514,925

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At 31 December 2019 and 2018, the significant financial assets carrying interest rate at fixed rates were classified, according to the period from the reporting date to the maturity date. The details were as follows:

	Average interest rate (% per annum)	Maturity period				Total
		No maturity	Within 1 year	After 1 year but within 5 years	After 5 years	
<i>(in thousand Baht)</i>						
At 31 December 2019						
Financial assets						
Investment in securities						
Bonds	3.96	-	359,904	2,884,961	42,789,148	46,034,013
Debentures	3.95	-	202,912	16,214,485	30,611,098	47,028,495
Notes	4.10	-	-	-	1,442,516	1,442,516
Policy loans	4.00-8.00	<u>2,530,260</u>	-	-	-	<u>2,530,260</u>
Total		<u>2,530,260</u>	<u>562,816</u>	<u>19,099,446</u>	<u>74,842,762</u>	<u>97,035,284</u>

	Average interest rate (% per annum)	Maturity period				Total
		No maturity	Within 1 year	After 1 year but within 5 years	After 5 years	
<i>(in thousand Baht)</i>						
At 31 December 2018						
Financial assets						
Investment in securities						
Bonds	3.52	-	3,459,923	3,404,407	36,262,458	43,126,788
Debentures	3.94	-	767,950	9,010,642	26,287,430	36,066,022
Notes	4.10	-	-	-	1,152,594	1,152,594
Policy loans	4.00-8.00	<u>2,209,155</u>	-	-	-	<u>2,209,155</u>
Total		<u>2,209,155</u>	<u>4,227,873</u>	<u>12,415,049</u>	<u>63,702,482</u>	<u>82,554,559</u>

Policy loans are fully collateralised by the value of the underlying policy and carry interest rates which follow the regulations of the Office of Insurance Commission. The average rate of interest in the year ended 31 December 2019 was 4.00% - 8.00% per annum (2018: 4.00% - 8.00% per annum). The contractual maturity of these loans would generally follow the maturity profile of the underlying insurance policy with which they are associated. Policyholders may repay policy loans prior to maturity.

22.5 Foreign currency risk

The Company is exposed to foreign currency risk relating to settlement of financial assets and financial liabilities which are denominated in foreign currencies.

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At 31 December 2019 and 2018, the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	2019	2018
		<i>(in thousand Baht)</i>	
Investment in securities <i>(US Dollars)</i>	6.1	24,612,765	17,246,121
Gross risk exposure in the statements of financial position		24,612,765	17,246,121
Notional amount of foreign exchange forward contracts	26 (c)	(25,035,673)	(16,120,142)
Notional amount of cross currency swap contracts	26 (c)	(349,272)	(349,272)
Net risk exposure		(772,180)	776,707
Other payable - related parties <i>(Hong Kong Dollars)</i>	23	227,396	115,379
Other payable - related parties <i>(US Dollars)</i>	23	101,684	43,856
Other payable - related parties <i>(Ringgit)</i>	23	789	-
Other payable - related parties <i>(Great British Pound)</i>	23	1,025	-
Accrued investment management fee - Related Parties <i>(Singapore Dollars)</i>	23	22,305	19,210
Gross risk exposure in the statements of financial position		353,199	178,445

22.6 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all debt securities of customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the reporting date.

22.7 Equity price risk

The exposure to equities is managed carefully in accordance with the Company's asset allocations. The asset allocations are designed with consideration to liabilities' obligations, capital requirements, and mandates from the Company's external regulators and its monitored on an ongoing basis.

The nature of the Company's exposures to equity risk and its objectives, policies and processes for managing equity risk have not changed significantly from the prior period.

22.8 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The Company's financial assets mainly comprise of cash and cash equivalents, deposits with financial institutions and investments in securities which are highly liquid and are able to be sold quickly at close to their fair value when the Company wishes to raise funds.

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The following tables show information about the estimated timing of the undiscounted net cash flows from the Company's insurance and investment contract liabilities. The analysis provided is by estimating the timing of the amounts recognised in the statement of financial position.

	Amount (in thousand Baht)	Estimated <u>undiscounted</u> net cash flows				Total
		1 - 5 years	6-10 years	11-15 years	More than 16 years	
31 December 2019						
Liabilities						
Insurance and investment contracts liabilities	121,887,558	15.2	34.7	26.1	24.0	100.0

	Amount (in thousand Baht)	Estimated <u>undiscounted</u> net cash flows				Total
		1 - 5 years	6-10 years	11-15 years	More than 16 years	
31 December 2018						
Liabilities						
Insurance and investment contracts liabilities	110,596,474	15.2	35.6	25.9	23.3	100.0

22.9 Fair values of financial assets and liabilities

Fair value hierarchy

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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: input for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. There was no transfer between levels of the fair value hierarchy during the year ended 31 December 2019 and 2018.

The following methods and assumptions were used by the Company in estimating fair value of financial assets and financial liabilities as disclosed herein.

The carrying value of these financial instruments, cash and cash equivalents, accrued investment income, premiums due and uncollected, loans, due to reinsurers, unpaid policy benefit loss reserves and outstand claim and other payables approximates the fair value.

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

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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 broker quotes.

22.9.1 Financial assets carried at fair value.

The Company have an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

The following table analyses significant financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2019				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	3,068	-	-	3,068
Total trading securities	3,068	-	-	3,068
<i>Available-for-sale securities</i>				
Government and state enterprise				
debt securities	-	50,945,223	-	50,945,223
Corporate securities	-	43,288,832	-	43,288,832
Foreign securities	-	270,969	-	270,969
Equity securities	6,889,444	-	-	6,889,444
Unit trusts	17,788,169	60,356	-	17,848,525
Total available-for-sale securities	24,677,613	94,565,380	-	119,242,993
Investment assets where policyholders bear the investment risk	8,669,825	-	-	8,669,825
31 December 2018				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	2,816	-	-	2,816
Total trading securities	2,816	-	-	2,816
<i>Available-for-sale securities</i>				
Government and state enterprise				
debt securities	-	50,084,679	-	50,084,679
Corporate securities	-	31,710,083	-	31,710,083
Foreign securities	-	152,051	-	152,051
Unit trusts	15,379,908	60,271	-	15,440,179
Total available-for-sale securities	15,379,908	82,007,084	-	97,386,992
Investment assets where policyholders bear the investment risk	6,632,839	-	-	6,632,839

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22.9.2 Financial assets and financial liabilities not carried at fair

The fair value of financial assets and financial liabilities did not have significant difference with carrying value as shown in the statement of financial position as at 31 December 2019 and 2018.

23 Related parties

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	Thai/ 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 51.2% of the Company's shares
Prudential Corporation Holdings Limited	United Kingdom	Major shareholder, holds 48.7% of the Company's shares
Prudential Holdings Limited	United Kingdom	Intermediate parent company
Thanachart Life Assurance Public Company Limited	Thailand	100% own subsidiary until 30 September 2019
Affiliates of Prudential Group	Thailand/Foreign	Related parties 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

Significant transactions for the years ended 31 December 2019 and 2018 with key management personnel and related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Revenue		
Affiliate of Prudential Group		
Trailing fee	9,799	1,856

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	2019	2018
	<i>(in thousand Baht)</i>	
Expenses		
Subsidiary		
Impairment loss in investment in subsidiary	40	19
Interest expense on promissory note	83	111
Expenses		
Affiliate of Prudential Group		
Investment management fee expenses	125,711	116,551
Investment related expenses and operating expenses	224,784	191,558
Directors and key management		
personnel compensation		
Short-term employee benefits	157,599	165,109
Post-employment benefit	19,378	16,020
Other long-term benefits	33,800	36,454
Total	<u>210,777</u>	<u>217,583</u>

Significant balances as at 31 December 2019 and 2018 with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Other assets		
Affiliate of Prudential Group	<u>3,990</u>	<u>17,239</u>
Promissory note (included in other liabilities)		
Promissory note payable to the subsidiary	<u>-</u>	<u>7,617</u>
Accrued investment management fee		
Affiliate of Prudential Group	<u>22,305</u>	<u>16,552</u>
Other payables		
Affiliate of Prudential Group	<u>330,894</u>	<u>161,893</u>

Significant agreements with related parties

Investment Management Agreements

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 and provide dealing services. The Company is committed to pay a management fee at the rate in agreements. These agreements can be terminated upon 3 months written notice.

Service agreements

The Company has 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.

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24 Securities and assets pledged with the Registrar

24.1 The Company's investments 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:

	2019		2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>45,478</u>	<u>30,000</u>	<u>37,321</u>	<u>30,000</u>

24.2 The Company's investments 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:

	2019		2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	28,170,924	19,175,700	20,983,772	18,535,700
Promissory notes	<u>1,442,516</u>	<u>1,000,000</u>	<u>1,152,594</u>	<u>1,000,000</u>
Total	<u>29,613,440</u>	<u>20,175,700</u>	<u>22,136,366</u>	<u>19,535,700</u>

25 Contribution to life insurance fund

As at 31 December 2019 and 2018, the accumulated Contribution paid to life insurance fund were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	122,982	96,828
Increase during the year	<u>24,588</u>	<u>26,154</u>
At 31 December	<u>147,570</u>	<u>122,982</u>

26 Commitments with non-related parties

	2019	2018
	<i>(in thousand Baht)</i>	
(a) Capital commitments		
<i>Contracted but not provided for:</i>		
Building improvements	10,232	-
Software licenses	<u>3,733</u>	<u>7,587</u>
Total	<u>13,965</u>	<u>7,587</u>
(b) Non-cancellable operating lease commitments		
Within 1 year	44,214	47,109
1 - 5 years	<u>30,927</u>	<u>81,181</u>
Total	<u>75,141</u>	<u>128,290</u>

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	2019	2018
	<i>(in thousand)</i>	
(c) Commitments from foreign exchange forward contracts		
<i>Within 1 year - US dollar</i>	<u>781,650</u>	<u>488,433</u>
<i>After 1 - 5 years - US dollar</i>	<u>47,100</u>	<u>-</u>
Commitments from cross currency swap contracts		
<i>Within 5 years - US dollar</i>	<u>9,900</u>	<u>9,900</u>
Commitments from bond forward contracts		
<i>Within 5 years - Baht</i>	<u>191,052</u>	<u>-</u>

27 Events after the reporting period

- (a) On 19 March 2020, the Company has entered into a strategic bancassurance partnership with TMB Bank Public Company Limited with an initial term of 15 years. The extended exclusive partnership agreement will commence on 1 January 2021 and until this time the current arrangement with Thanachart Bank will continue. The change in arrangements will cost Baht 24.5 billion which will be funded partially by the Company.
- (b) At the Company's Board of Directors' meeting held on 27 March 2020, the Board of Directors approved the Company's application for dividend payment to the Company's shareholders at the amount not exceeding Baht 199 million. The dividend shall be paid out from the Company's net profit for the year ended 31 December 2019 and the unappropriated retained earnings. In this regard, it also depends on the acceptance from the Office of Insurance Commission (OIC) and the approval from the Company's Annual General Meeting of the shareholders.

28 Thai Financial Reporting Standards (TFRSs) not yet adopted

New TFRSs and Accounting guideline which are expected to have a material impact on the Company's financial statements when initially adopted, and which will become effective in annual reporting periods beginning on or after 1 January 2020:

TFRS	Topic
Accounting Guideline TFRS 16	Financial Instruments and Disclosure for insurance entities Leases

(a) *Accounting Guideline: Financial Instruments and disclosure for insurance entities*

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

Accounting Guideline: Financial Instruments and Disclosure for insurance entities is prepared using the principle of TFRS 9 Financial Instruments, TFRS 7 Financial Instruments: Disclosures and TAS 32 Financial Instruments: Presentation. The Accounting Guideline: Financial Instruments and Disclosure for insurance entities are described below.

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- Classification and measurement of financial assets: These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and loans and receivables, with no requirement to take into account the assessment of the Company's business model and the characteristics of the contractual cash flows.
- Loss on impairment, gain or loss on derecognition, and gain and loss on fair value hedges for available-for-sale equity securities and unit trust items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.
- The disclosures have some differences from TFRS 7.

Unit trust which is reclassified as financial liabilities under TAS 32 Financial Instruments: Presentation, the gain or loss on foreign exchange rate are to recognise in profit or loss.

In addition to the above differences, the adoption Accounting Guideline: Financial Instruments and disclosure for insurance entities will impact to the Company regarding the impairments and hedge accounting as follows:

(i) Impairment - Financial assets

Accounting Guideline introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Company estimates allowance for doubtful account by analyzing payment histories and future expectation of payment. Accounting Guideline for Financial Instruments: Disclosure for insurance company requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

(ii) 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, this Accounting Guideline had an option to apply the hedge accounting for any transactions that meet the specific requirement of hedge accounting under this Accounting Guideline.

Transition

The Company expects to adopt Accounting Guideline: Financial Instruments and disclosure for insurance entities adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Company will not apply the requirements of this Accounting Guideline to comparative information.

The Company estimate that the preliminary impact assessment of applying this Accounting Guideline on the financial statements will decrease beginning retained earnings amounted Baht 22.6 million and increase other components of equity amounted Baht 26.2 million. The impact mainly results from impairment loss on investments.

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(b) *TFRS 16 Leases*

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Company recognises payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Company will recognise right-of-use assets and lease liabilities for its lease components of operating leases as disclosed in Note 26. As a result, the nature of expenses related to those leases will be changed because the Company will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

Transition

The Company plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings at 1 January 2020, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply TFRS 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with TAS 17 and TFRIC 4.

The Company estimates that the preliminary impact of initially applying TFRS 16 on the financial statements, will increase right-of-use assets by Baht 38.4 million and lease liabilities Baht 38.4 million.