

Financial Report 2019

Thailand Futures Exchange

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED**

Opinion

We have audited the financial statements of Thailand Futures Exchange Public Company Limited (the “Company”), which comprise the statement of financial position as at December 31, 2019, and the related statements of profit or loss and other comprehensive income, changes in shareholders’ equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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.

Auditor's Responsibilities for the Audit of the Financial Statements

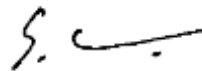
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Dr. Suphamit Techamontrikul
Certified Public Accountant (Thailand)
Registration No. 3356

BANGKOK
February 19, 2020

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	40,531	21,134
Trade and other receivables	7	56,963	48,425
Short-term loans to the major shareholder	5	1,015,000	905,000
Other current assets	8	11,659	11,877
Total current assets		1,124,153	986,436
NON-CURRENT ASSETS			
Derivatives Investor Protection Fund	18	110,237	104,150
Total non-current assets		110,237	104,150
TOTAL ASSETS		1,234,390	1,090,586

Notes to the financial statements form an integral part of these statements

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	44,624	40,136
Current income tax payable		25,061	32,123
Other current liabilities		2,161	1,257
Total current liabilities		<u>71,846</u>	<u>73,516</u>
NON-CURRENT LIABILITIES			
Contributions and benefits to			
Derivatives Investor Protection Fund	18	54,041	48,802
Total non-current liabilities		<u>54,041</u>	<u>48,802</u>
TOTAL LIABILITIES		<u>125,887</u>	<u>122,318</u>
SHAREHOLDERS' EQUITY			
SHARE CAPITAL			
Authorized share capital			
50,000,000 ordinary shares of Baht 10 each,	11	500,000	500,000
Share capital issued and paid-up			
50,000,000 ordinary shares of Baht 10 each,			
fully paid	11	500,000	500,000
DERIVATIVES INVESTOR PROTECTOR FUND	18	56,196	55,348
RETAINED EARNINGS			
Appropriated - legal reserve	12	44,726	31,632
Unappropriated		507,581	381,288
TOTAL SHAREHOLDERS' EQUITY		<u>1,108,503</u>	<u>968,268</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,234,390</u>	<u>1,090,586</u>

Notes to the financial statements form an integral part of these statements

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	2019	2018
REVENUES			
Revenue from rendering services	13	588,240	560,666
Interest income		15,611	12,044
Other income		26,549	11,667
Total revenues		630,400	584,377
EXPENSES			
Administrative expenses	14	301,995	277,590
Employee benefit expenses	10	-	493
Directors' remuneration		2,115	2,180
Total expenses		304,110	280,263
PROFIT BEFORE INCOME TAX EXPENSE		326,290	304,114
Non - operating item, net			
Income derived from Derivatives Investor			
Protection Fund, net	18	848	686
PROFIT BEFORE INCOME TAX EXPENSE		327,138	304,800
INCOME TAX EXPENSE	15	-65,258	-60,823
NET PROFIT FOR THE YEAR		261,880	243,977
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		261,880	243,977
BASIC EARNINGS PER SHARE (BAHT)	16	5.24	4.88
WEIGHTED AVERAGE NUMBER OF			
ORDINARY SHARES (THOUSAND SHARES)		50,000	50,000

Notes to the financial statements form an integral part of these statements

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	Share capital	Derivatives	Retained earnings		Total
		issued and paid-up	Investor Protection Fund	Legal reserve	Unappropriated	
Beginning balances as at January 1, 2018		500,000	54,662	19,433	201,211	775,306
Total comprehensive income for the year		-	686	-	243,291	243,977
Dividend payment	17	-	-	-	-51,015	-51,015
Legal reserve	12	-	-	12,199	-12,199	-
Ending balances as at December 31, 2018		<u>500,000</u>	<u>55,348</u>	<u>31,632</u>	<u>381,288</u>	<u>968,268</u>
Beginning balances as at January 1, 2019		500,000	55,348	31,632	381,288	968,268
Total comprehensive income for the year		-	848	-	261,032	261,880
Dividend payment	17	-	-	-	-121,645	-121,645
Legal reserve	12	-	-	13,094	-13,094	-
Ending balances as at December 31, 2019		<u>500,000</u>	<u>56,196</u>	<u>44,726</u>	<u>507,581</u>	<u>1,108,503</u>

Notes to the financial statements form an integral part of these statements

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		327,138	304,800
Adjustments for			
Interest income		-15,611	-12,044
Income derived from			
Derivatives Investor Protection Fund, net	18	-848	-686
Operating profit before changes in operating assets and liabilities		310,679	292,070
(Increase) decrease in operating assets			
Trade and other receivables		-8,509	1,095
Other current assets		218	-241
Derivatives Investor Protection Fund		-6,321	-13,007
Increase (decrease) in operating liabilities			
Trade and other payables		4,488	-2,588
Employee benefits paid		-	-1,452
Other current liabilities		904	-1,021
Contributions and benefits to			
Derivatives Investor Protection Fund		5,239	11,978
Cash flows provided by operations		306,698	286,834
<u>Less</u> Income tax paid		-72,320	-38,351
Net cash provided by operating activities		234,378	248,483

Notes to the financial statements form an integral part of these statements

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : THOUSAND BAHT

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from short-term loans to the major shareholder		15,582	11,966
Cash paid for short-term loans to the major shareholder	5	-150,000	-225,000
Cash received for repayment of short-term loans to the major shareholder	5	40,000	-
Benefits received from Derivatives Investor Protection Fund		1,082	1,029
Net cash used in investing activities		<u>-93,336</u>	<u>-212,005</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	17	-121,645	-51,015
Net cash used in financing activities		<u>-121,645</u>	<u>-51,015</u>
Net increase (decrease) in cash and cash equivalents		19,397	-14,537
Cash and cash equivalents as at January 1,		21,134	35,671
Share capital issued and paid-up	6	<u>40,531</u>	<u>21,134</u>

Notes to the financial statements form an integral part of these statements

**THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. COMPANY OPERATIONS AND OTHER INFORMATION

Thailand Futures Exchange Public Company Limited (the “Company” “TFEX”) is incorporated in Thailand on May 17, 2004 and its registered office is located at 93 Floor 16, Ratchadapisek Road, Kwaeng Din Daeng, Khet Din Daeng, Bangkok 10400.

The major shareholder is The Stock Exchange of Thailand (incorporated in Thailand), which owned 100% of the Company’s share capital.

The principal business of the Company is as a derivative exchange and governed by the Derivatives Act B.E. 2546 (2003).

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICY

Basis for preparation and presentation of the financial statements and significant accounting policy are set out below:

2.1 Basis of preparation and presentation

The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and practices generally accepted in Thailand.

The Company’s financial statements have been prepared in accordance with the Thai Accounting Standard (“TAS”) No. 1 (Revised 2017) “Presentation of Financial Statements”, which was effective for financial periods beginning on or after January 1, 2018 onward, and the Notification of the Department of Business Development dated October 11, 2016 regarding “The Brief Particulars in the Financial Statement (No. 2) B.E. 2559”.

The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 Thai Financial Reporting Standards affecting the presentation and disclosure in the current period financial statement

During the period, the Company has adopted the revised and new financial reporting standards and guidelines on accounting issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, the new financial reporting standards which was changed the core principle is Thai Financial Reporting Standard No. 15 "Revenue from Contracts with Customers" ("TFRS 15"). The Company's accounting policies for revenues are disclosed in Note 2.12 to the financial statements. The application of TFRS 15 has no significant impact on the financial position and/or financial performance of the Company.

2.3 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards, as follows:

Group of Financial Instruments Standards

Thai Accounting Standards ("TAS")

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards ("TFRS")

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Thai Financial Reporting Standard Interpretations ("TFRIC")

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These group of Standards make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost; taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model, the calculation of impairment using the expected credit loss method, and the concept of hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. These Standards will supersede the Standards and Interpretations relating to the financial instruments upon its effective date.

Thai Financial Reporting Standards No. 16 “Leases” (“TFRS 16”)

This TFRS provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

This TFRS will supersede the following lease Standards and Interpretations upon its effective date, which are Thai Accounting Standard No.17 “Leases”, Thai Accounting Standard Interpretation No.15 “Operating Lease - Incentives”, Thai Accounting Standard Interpretation No.27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease” and Thai Financial Reporting Standard Interpretation No.4 “Determining whether an Arrangement contains a Lease”.

For lessee accounting, there are significant changes to lease accounting in this TFRS by removing the distinction between operating and finance leases under TAS 17 and requiring a lessee to recognize a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. However, the lessor accounting treatment continues to require a lessor to classify a lease either as an operating lease or a finance lease, using the same concept as TAS 17.

Other financial reporting standards

Thai Accounting Standards (“TAS”)

TAS 12	Income Taxes
TAS 19	Employee Benefits
TAS 23	Borrowing Costs
TAS 28	Investments in Associates and Joint Ventures

Thai Financial Reporting Standards (“TFRS”)

TFRS 3	Business Combinations
TFRS 11	Joint Arrangements

The Company’s management will adopt such TFRSs in the preparation of the Company’s financial statements when it becomes effective. The Company’s management has assessed the impact of these TFRSs and considered that the adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company in the period of initial application.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Thai Baht, which is the Company’s functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit and loss, any exchange component of that gain or loss is recognized in profit and loss.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits (excluding deposits held to maturities), other short-term highly liquid investments held for working capital and short-term commitment payment purposes with maturities from acquisition date of three months or less.

2.6 Investments of Derivative investor Protection Fund

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

All three categories of investment are initially recognized at cost, which is equal to the fair value of consideration paid plus transaction cost.

Trading investments and available for sale investments are subsequently measured at fair value. The fair value of investments is based on last bid price at the close of business on the statement of financial position date by reference to the Stock Exchange of Thailand and the Thai Bond Dealing Centre. The unrealized gains and losses of trading investments are recognized in profit or loss. The unrealized gains and losses of available for sale investments are recognized in comprehensive income.

Held-to-maturity investments are carried at amortized cost using the effective yield method less impairment loss (if any).

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing part of the Company's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

2.7 Trade and other receivables

Trade and other receivables are carried at original invoice amount less allowance for doubtful accounts (if any).

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments, assessment of the future cash flows, known and identified instances of default and consideration of market trends. Trade and receivables are written off when incurred and recognized as part of administrative expenses in the statement of profit or loss and other comprehensive income.

2.8 Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, computer software, are stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized in profit or loss on a straight-line basis over its estimated useful lives from the date that they are available for use. The estimated useful lives are 5 - 10 years.

Management determines the estimated useful lives for the Company's intangible assets. Management will revise the amortization charge where useful lives differ from the previous estimations or it will write-off technically obsolete assets or assets which have been sold or abandoned.

2.9 Impairment of assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Trade and other payables

Trade and other payables are stated at cost.

2.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.12 Employee benefits

1) Short-term benefits

The Company recognizes salaries, wages, bonuses, contributions to the social security fund and cumulative annual leave as expenses when incurred.

2) Contributions to provident fund

The Company has participated in provident fund of the Stock Exchange of Thailand. The provident fund is funded by payments from employees and by the Company. The Company's contributions to provident fund are charged to expenses in the statement of profit or loss and other comprehensive income in the period to which the contributions relate.

2.13 Revenues

For the year ended December 31, 2019, the Company's change the basis according to the adoption of TFRS No. 15 "Revenue from Contracts with Customers". Therefore, the accounting policy for revenue recognition for the year ended December 31, 2019 and 2018 were contrast as below.

For the year ended December 31, 2019

Trading fees, initial membership fees and initial of information service fees are recognized as revenue when the entity has fulfilled the obligations to be completed.

Annual membership fees and information service fees by overtime are recognized revenue according to the obligations that must be completed throughout the period.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

Other income is recognized when the right to receive payment is established.

For the year ended December 31, 2018

Trading fees and information service fees are recognized upon performance of services.

Membership fees comprise initial and annual fees. The initial fees are recognized as revenue in the commencing day on which the service is rendered. Annual fees are recognized on a time proportion basis.

2.14 Expenses

Expenses is recognized on the accrual basis.

2.15 Directors' remuneration

Directors' remuneration comprises the benefits paid to the Board of Directors (excluding salaries, bonus and related benefits payable to management).

2.16 Dividend payment

Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.17 Earnings per share

Basic earnings per share are calculated by dividing net profit by the number of weighted average ordinary shares outstanding at the date of statement of financial position. In the case of a capital increase, the number of weighted average ordinary shares is calculated according to the period of the subscription received from increase and paid-up share capital.

2.18 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Fair value measurements and valuation processes

Fair value measurement for disclosure purpose

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Company assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS 13, including the level in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Company use market observable data as the first priority. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques for fair value measurement as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3. USE OF MANAGEMENT'S JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Management's judgments in applying accounting policies

The preparation of financial statements in conformity with Thai Financial Reporting Standards (TFRSs) requires the Company's management to exercise various judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

3.2 Key sources of estimation uncertainty

The Company has estimates with the assumptions concerning the future. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders depending on the Company's operating results.

5. RELATED PARTY TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding entities, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Relationships with related parties that control or jointly control the Company or are being controlled or jointly-controlled by the Company or have transactions with the Company were as follows:

Name of entity	Country of incorporation	Nature of relationships
The Stock Exchange of Thailand	Thailand	The major shareholder, 100% shareholding, all directors are representatives of the major shareholder
SETTRADE.COM Company Limited	Thailand	Related party and is controlled by the major shareholder
Family Know-how Co., Ltd.	Thailand	Related party and is 50% jointly - controlled by the major shareholder

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

Transaction	Pricing policy
Service income	Contractually agreed price
Interest income	The interest rate on the loan is based on the floating market interest rate which is referred to the higher interest rate for one-year government bond or one-year fixed deposit on average of 4 banks for corporate credit line of up to Baht 10 million.
Fee and service expenses	Cost plus margin

Transactions with related parties for the years ended December 31, were as follows:

		2019	2018
	Nature of relationships	Thousand Baht	Thousand Baht
Information service fee	Related party	<u>1,071</u>	<u>2,064</u>
Interest income	The major shareholder	<u>15,013</u>	<u>11,513</u>
Fee and service expenses	The major shareholder	259,122	244,491
	Related party	-	1,200
		<u>259,122</u>	<u>245,691</u>

Outstanding balances with related parties as at December 31, were as follows:

		2019	2018
	Nature of relationships	Thousand Baht	Thousand Baht
Other receivables	The major shareholder	<u>-</u>	<u>124</u>
Accrued expenses	The major shareholder	<u>30,102</u>	<u>28,004</u>
Fees received in advance	Related party	<u>72</u>	<u>72</u>

	Interest rate		2019	2018
	2019	2018	2019	2018
	% per annum	% per annum	Thousand Baht	Thousand Baht
Short-term loans to the major shareholder	1.24 - 1.81	1.35 - 1.74	<u>1,015,000</u>	<u>905,000</u>

The major shareholder has a policy of centralising the investments and managed by the major shareholder in order to maximize its efficiency and overall returns. The major shareholder will borrow from its subsidiaries in the form of one-year promissory notes. The interest rate on the loan is based on the floating market interest rate which is referred to the higher interest rate for one-year government bond or one-year fixed deposit on average of 4 banks for corporate credit line of up to Baht 10 million (interest rate may be revised as appropriate).

Movements of short-term loans to the major shareholder for the years ended December 31, were as follows:

	2019	2018
	Thousand Baht	Thousand Baht
Opening balance	905,000	680,000
Short-term loans increase	150,000	225,000
Repayment received	<u>(40,000)</u>	<u>-</u>
Closing balance	<u>1,015,000</u>	<u>905,000</u>

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, were as follows:

	2019	2018
	Thousand Baht	Thousand Baht
Savings and current accounts	<u>40,531</u>	<u>21,134</u>

For the year ended December 31, 2019, savings accounts carried interest rates ranging from 0.375% - 0.80% per annum (2018 : from 0.50% - 0.80% per annum).

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Trade receivable		
Other parties	285	1,013
	<u>285</u>	<u>1,013</u>
Other receivable		
Accrued income		
Other parties	56,401	47,040
Accrued interest receivable		
Other parties	277	248
Other receivable		
Related parties (see Note 5)	-	124
	<u>56,678</u>	<u>47,412</u>
	<u>56,963</u>	<u>48,425</u>

Aging analyses for trade receivable were as follows:

	2019	2018
	Thousand Baht	Thousand Baht
Trade receivable		
Within credit terms	-	102
Overdue		
Less than 3 months	285	779
3 - 6 months	-	129
6 - 12 months	-	3
	<u>285</u>	<u>1,013</u>

Generally, the normal credit term granted by the Company ranges from 1 day to 15 days.

8. OTHER CURRENT ASSETS

Other current assets as at December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Withholding tax receivable	11,633	11,633
Value added tax receivable	-	112
Others	26	132
	<u>11,659</u>	<u>11,877</u>

9. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Trade payable		
Other parties	1,800	1,760
	<u>1,800</u>	<u>1,760</u>
Other payable		
Accrued expense		
Related parties (see Note 5)	30,102	28,004
Other parties	9,512	7,275
Fee received in advance		
Related parties (see Note 5)	72	72
Other parties	3,138	2,902
Other payable		
Other parties	-	123
	<u>42,824</u>	<u>38,376</u>
	<u>44,624</u>	<u>40,136</u>

10. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses for the years ended December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Salaries and other benefits	-	476
Contribution to provident fund	-	17
	<u>-</u>	<u>493</u>

The Company has participated in provident funds of the Stock Exchange of Thailand. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Company at rate of 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

11. SHARE CAPITAL

The total number of authorized ordinary shares is 50,000,000 shares with a par value of Baht 10 per share. All issued shares are fully paid.

12. LEGAL RESERVE

	2019	2018
	Thousand Baht	Thousand Baht
Opening balance the year	31,632	19,433
Appropriation during the years	13,094	12,199
Closing balance	<u>44,726</u>	<u>31,632</u>

Under the Public Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable.

13. REVENUE FROM RENDERING SERVICES

Revenue from rendering services for the years ended December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Timing of revenue recognition		
At a point of time		
Trading fees	541,134	509,473
Initial membership fees	200	2,825
Initial information service fees	320	166
	<u>541,654</u>	<u>512,464</u>
Overtime		
Annual membership fees	20,000	20,000
Information service fees	26,586	28,202
	<u>46,586</u>	<u>48,202</u>
Total revenue from rendering services	<u>588,240</u>	<u>560,666</u>

14. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Fee and service expense (see Note 5)	259,122	244,491
Licensing and professional fees	19,105	7,739
Marketing expenses	18,491	20,964
The Securities and Exchange Commission Thailand fees	2,000	2,000
Others	3,277	2,396
	<u>301,995</u>	<u>277,590</u>

15. INCOME TAX EXPENSE

Income tax expense for the years ended December 31, consist of:

	2019	2018
	Thousand Baht	Thousand Baht
Current income tax:		
Current income tax	<u>65,258</u>	<u>60,488</u>
Total current income tax	<u>65,258</u>	<u>60,488</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>-</u>	<u>335</u>
Total deferred income tax	<u>-</u>	<u>335</u>
Total income tax	<u>65,258</u>	<u>60,823</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Thailand basic tax rate were as the follows:

	2019	2018
	Thousand Baht	Thousand Baht
Profit before income tax expense	<u>327,138</u>	<u>304,800</u>
Tax calculated at a tax rate of 20%	65,428	60,960
Income derived from Derivatives Investor Protection Fund, net	<u>(170)</u>	<u>(137)</u>
Income tax	<u>65,258</u>	<u>60,823</u>
The weighted average applicable tax rate (%)	19.95	19.96

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit attributable to shareholders by the weighted average number of ordinary shares in issue during the years ended December 31, were as follows:

	2019	2018
Profit attributable to shareholders (Thousand Baht)	261,880	243,977
Weighted average number of ordinary shares in issue during the years (Thousand shares)	<u>50,000</u>	<u>50,000</u>
Basic earnings per share (Baht per share)	<u>5.24</u>	<u>4.88</u>

17. DIVIDENDS

At the annual general meeting of shareholders held on April 18, 2018, the shareholders approved an appropriation of a dividend from the profit for the year ended December 31, 2017 of Baht 1.0203 per share for 50 million ordinary shares, amounting to Baht 51.02 million and also approved to appropriate a legal reserve of Baht 12.20 million. The dividend was paid during 2018.

At the annual general meeting of shareholders held on April 19, 2019, the shareholders approved an appropriation of a dividend from the profit for the year ended December 31, 2018 of Baht 2.4329 per share for 50 million ordinary shares, amounting to Baht 121.65 million and also approved to appropriate a legal reserve of Baht 13.09 million. The dividend was paid during 2019.

18. DERIVATIVES INVESTOR PROTECTION FUND

In 2012 the Company's board of directors had a resolution to establish the Derivatives Investor Protection Fund (DIPF) and approved an appropriation of Baht 50 million as an initial fund.

The DIPF was established on November 15, 2012. The objective of the DIPF is to provide protection for derivatives contracts investors in accordance with the rules prescribed by the Company. Investors need to be protected must become customers of DIPF members and are a Thai natural person, a juristic person incorporated in Thailand who is not an institutional investor under the Derivatives Act B.E. 2546 (2003). As at December 31, 2019, there were 37 DIPF members from security companies (2018: 37 DIPF members).

Assets of the DIPF consist of the Company's initial capital, admission fees and contributions collected from members of the DIPF, and yields or benefits obtained from the proceeds and assets of the DIPF after the deduction of expenses for the operation of the DIPF. At the time of its establishment, the DIPF will have assets worth no less than Baht 100 million, which consists of initial capital of Baht 50 million from the Company and admission fees and contributions from DIPF members in the rest to make the total of Baht 100 million. The Company may collect additional sums of money as it deems necessary and appropriate.

DIPF will protect the investors' assets which are in the custody of the securities brokers who are members of the DIPF. In the event that the members of the DIPF fail to return the assets to investors, each investor shall be compensated by the DIPF for the related damages at the actual cost, but not exceeding Baht 1 million per DIPF member, in the following cases:

- 1) if any DIPF member is in receivership under the Bankruptcy Act or
- 2) if there are disputes concerning the purchase or sale of securities listed on SET between investors and any DIPF member, and the arbitrator's award is that the DIPF member shall return the assets to investors, but the DIPF member violates the award.

The protection will not include any losses from derivatives trading regardless of who makes the investment decision.

If the number of assets of the DIPF is not sufficient for compensation to investors as mentioned above, the investors will receive from the DIPF for assets in accordance with the proportion of damage sustained by each investor (pro rata based).

When the Board resolves to approve granting protection to any investor. The Company will use the DIPF to provide protection to such investor, which shall be in the following sequence:

- 1) the DIPF with respect to the part paid by that DIPF's member who caused damage to the investors;
- 2) the DIPF with respect to the yields or benefits;
- 3) the DIPF with respect to the part paid by other member; and
- 4) the DIPF with respect to the part paid by the Company

Upon the Company's use of DIPF to provide protection to investors in accordance with the rules prescribed, DIPF's member who caused damage to investors has the duty to return assets to the Company. The Company shall exercise the right to demand the return of the assets which have been paid to the investors and damages from the DIPF's member in accordance with the right transferred by the investors.

The Company shall allocate the funds which are returned in whole or in part to the DIPF in the following sequence:

- 1) the DIPF with respect to the part belonging to the Company;
- 2) the DIPF with respect to the part belonging to other members;
- 3) the DIPF with respect to the yield or benefits;
- 4) the DIPF with respect to the part belonging to DIPF's members who caused damage to the investors

The statement of financial position of the DIPF as at December 31, 2019 and 2018 which are included in the Company's financial statements were as follows:

	2019	2018
	Thousand Baht	Thousand Baht
Assets		
Current assets		
Cash deposits and short-term investments	68,479	54,587
Contributions from members	15	851
Accrued interest receivable	543	485
Total current assets	<u>69,037</u>	<u>55,923</u>
Non-current asset		
Long-term investments	<u>41,200</u>	<u>48,227</u>
Total non-current asset	<u>41,200</u>	<u>48,227</u>
Total assets	<u><u>110,237</u></u>	<u><u>104,150</u></u>
Liabilities and fund balances		
Current liabilities		
Current income tax payable	396	293
Other current liabilities	1	-
Total current liabilities	<u>397</u>	<u>293</u>
Non-current liabilities		
Contributions from members	50,976	46,634
Benefits on contributions from members	2,668	1,875
Total non-current liabilities	<u>53,644</u>	<u>48,509</u>
Total liabilities	<u>54,041</u>	<u>48,802</u>
Fund balances		
Initial fund	50,000	50,000
Benefits on contributions from the Company	6,169	5,348
Total fund balances	<u>56,196</u>	<u>55,348</u>
Total liabilities and fund balances	<u><u>110,237</u></u>	<u><u>104,150</u></u>

The statement of revenues and expenses of the DIPF which are included as parts of the statement of profit or loss and other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	Member's portion Thousand Baht	TFEX's portion Thousand Baht	Total Thousand Baht
For the year ended December 31, 2019			
Revenues			
Interest income	1,039	1,110	2,149
Total revenues	<u>1,039</u>	<u>1,110</u>	<u>2,149</u>
Expenses			
Operating expenses	44	46	90
Total expenses	<u>44</u>	<u>46</u>	<u>90</u>
Revenues over expenses before income tax expense			
	995	1,064	2,059
Income tax expense	(201)	(216)	(417)
Revenues over expenses for the year	<u>794</u>	<u>848</u>	<u>1,642</u>
Other comprehensive revenues and expenses	-	-	-
Total comprehensive revenues and expenses for the year	<u>794</u>	<u>848</u>	<u>1,642</u>
	Member's portion Thousand Baht	TFEX's portion Thousand Baht	Total Thousand Baht
For the year ended December 31, 2018			
Revenues			
Interest income	734	952	1,686
Total revenues	<u>734</u>	<u>952</u>	<u>1,686</u>
Expenses			
Operating expenses	69	89	158
Total expenses	<u>69</u>	<u>89</u>	<u>158</u>
Revenues over expenses before income tax expense			
	665	863	1,528
Income tax expense	(136)	(177)	(313)
Revenues over expenses for the year	<u>529</u>	<u>686</u>	<u>1,215</u>
Other comprehensive revenues and expenses	-	-	-
Total comprehensive revenues and expenses for the year	<u>529</u>	<u>686</u>	<u>1,215</u>

19. DISCLOSURE OF FINANCIAL INSTRUMENT INFORMATION

The Company presents and discloses financial instrument information of the Company as follows:

19.1 Foreign exchange risk

The Company has no significant exposure to foreign currency risk relates due to its assets and liabilities are mainly made in Thai Baht. The Company does not use any derivative financial instruments to hedge foreign currency exposure.

19.2 Interest rate risk

Interest rate risk arises from fluctuations in market interest rates which may affect the Company's operating results and cash flows. The Company doesn't have interest rate derivative in order to manage fluctuation of the interest rate.

19.3 Credit risk

The Company has specific concentration of credit risk as it principally considers approving credits to entities in the Stock Exchange of Thailand group. The Company lent out short-term loans to the major shareholder, who has high credit quality and good reputation.

19.4 Liquidity risk

The Company has no significant exposure to liquidity risk as the Company has sufficient cash to support its operations. The Company aims on maintaining flexibility of funding by using internal capital of the Company.

19.5 Fair value

The fair value disclosures of financial instruments, considerable judgment is necessarily required in estimation of fair value. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value.

The following table presents the financial assets and liabilities that are not measured at fair value as at December 31, 2019 and 2018.

	2019			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Held-to-maturity investments	-	110,180	-	110,180
Total	-	110,180	-	110,180

	2018			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Held-to-maturity investments	-	98,196	-	98,196
Total	-	98,196	-	98,196

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and cash equivalents, trade and other receivables, short-term loans to the major shareholder, deposits and other benefits in Derivatives Investor Protection Fund and trade and other payable.

The management believes that the fair value of the Company's financial assets and liabilities does not materially differ from their carrying value.

Valuation techniques used to derive Level 2 fair values

Held-to-maturity investments include fixed deposit accounts, bonds and debentures. The fair value of fixed deposit accounts, which is in Level 2, is measured by using discounted cash flows based on each contract with an average yield of 4 commercial banks. The fair value of bonds and debenture are measured by using the price published in the Thai Bond Market Association the end of the date in the statement of financial position.

20. SIGNIFICANT AGREEMENT

On January 31, 2018, the Company entered into Service Agreement with the Stock Exchange of Thailand for the services provided in marketing, operation and information technology system, administrative and other management. The Company shall pay or the service provided as a service fee as specified in the agreement. The agreement is for a period of the two years with effect from January 1, 2017. Upon expiration of the term, it shall be deemed that the contracting party agreed to extend the contract period for another one year from the expiry date.

21. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended December 31, 2018, to conform to the classifications used in the financial statements for the year ended December 31, 2019 as follows:

Items	Previous classification	Current classification	Amount Thousand Baht
Accrued interest receivable	Accrued interest receivable	Trade and other receivables	248
Other receivable	Other current assets	Trade and other receivables	124
Fees received in advance	Fees received in advance	Trade and other payables	2,974
Other payable	Other current liabilities	Trade and other payables	123

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the authorized director of the Company on February 19, 2020.



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