

Thailand Future Fund
Report and financial statements
30 September 2019



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Independent Auditor's Report

To the Unitholders of Thailand Future Fund

Opinion

I have audited the accompanying financial statements of Thailand Future Fund (the Fund), which comprise the balance sheet, including the details of investments as at 30 September 2019, and the related statements of income, change in net assets, cash flows and significant financial information for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thailand Future Fund as at 30 September 2019, and its financial performance, changes in net assets, cash flows, and significant financial information for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 Fund in accordance with the *Code of Ethics for Professional Accountants* as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

Measurement of Investment in the Revenue Transfer Agreement

As described in Note 7 to the financial statements, the Fund presented the investment in the Revenue Transfer Agreement in the balance sheet as at 30 September 2019 at its fair value of Baht 53,166 million, representing 98% of total assets. Since the investment is not traded in an active market and a quoted price is not available for the same or similar investments, the Fund's management determined its fair value based on the appraisal value calculated by an independent appraiser using the income approach. The Fund's management had to exercise significant judgement with respect to the projection of future cashflows that the Fund will receive from the investment, including the determination of an appropriate discount rate by an independent appraiser. Therefore, I addressed the importance of the audit of the measurement of the investment's value.

I have gained an understanding of the calculation of the fair value of the investment in the Revenue Transfer Agreement by making inquiries of the management and reading the report on forecasted traffic and tolls of the relevant expressways and the fair value appraisal report for the investment in the Revenue Transfer Agreement. I also considered the scope and objectives of the fair value measurement performed by an independent appraiser, and evaluated the techniques and models applied by the independent appraiser to measure the fair value, as specified in the appraisal report prepared by the independent appraiser. Moreover, I have evaluated the competence and the independence of the independent appraiser, reviewed the key information and the reasonableness of key assumptions and the discount rate used in the measurement and tested the fair value calculation in accordance with the above models and assumptions. In addition, I compared the actual tolls occurred with the toll forecasted by the traffic consultant to evaluate the reliability of toll forecast, and I reviewed the information disclosure relating to the fair value measurement of the investment in the Revenue Transfer Agreement in the notes to the financial statements.



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Income from the investment in the Revenue Transfer Agreement

The income from the investment in the Revenue Transfer Agreement (RTA) is significant to the statement of income and is also a key indicator of business performance of the Fund, on which the users of financial statements focus. Therefore, I addressed the importance of the audit of such income.

To audit the income from the investment, I gained an understanding of the key provisions of the RTA, which the Fund entered into during the current year. I assessed the appropriateness of the accounting policy on the recognition of the investment income, which was set by the management, tested the calculation of the income recognised in accordance with the conditions stipulated in the agreement, tested, on a sampling basis, the income earned and received by examining supporting documents, such as the tolls report prepared by the counterparty to the agreement and bank statements. I also tested the outstanding balance of the accounts receivable arising from the investment in the RTA as at the year-end date. In addition, I tested the tolls of the relevant expressways by assessing and testing the IT system and the internal controls with respect to the counterparty's toll reporting process and applied a sampling method to select and test the toll transactions occurring in the period, starting from the date that the Fund invested in the RTA.

Other Information

The Fund's management is responsible for the other information. The other information comprise the information included in annual report of the Fund, but does not include the financial statements and my auditor's report thereon. The annual report of the Fund 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 do 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 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 of the Fund, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the Fund's management for correction of the misstatement

Responsibilities of Management for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as the Fund's 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, the Fund's management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Fund's management is responsible for overseeing the Fund'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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's management.



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- Conclude on the appropriateness of the Fund's 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 Fund'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 Fund 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 the Fund's 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 I identify during my audit.

I also provide the Fund's management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Fund's management, I determine these matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Suchada Tantioran
Certified Public Accountant (Thailand) No. 7138

EY Office Limited
Bangkok: 15 November 2019

Thailand Future Fund

Balance sheet

As at 30 September 2019

(Unit Baht)

	<u>Note</u>	<u>30 September 2019</u>	<u>30 September 2018</u>
Assets			
Investment in the Revenue Transfer Agreement			
at fair value (At cost: 30 September 2019: Baht 44,811 million			
30 September 2018: nil)	7	53,166,000,000	-
Investments in securities at fair value			
(At cost: 30 September 2019: Baht 481.6 million,			
and 31 December 2018: Baht 878.6 million)		482,802,910	879,680,499
Cash at bank	8	54,182,360	118,990,181
Accounts receivable			
Revenue Transfer Agreement	9	26,207,012	-
Interest receivable		192,358	2,299,123
Prepaid expenses		5,406,529	115,970
Deferred units issuance costs	10	611,077,326	149,408,757
Total assets		<u>54,345,868,495</u>	<u>1,150,494,530</u>
Liabilities			
Accounts payable and accrued expenses		14,718,653	128,536,905
Total liabilities		<u>14,718,653</u>	<u>128,536,905</u>
Net assets		<u>54,331,149,842</u>	<u>1,021,957,625</u>
Net assets			
Fund registered			
4,570,000,000 units of Baht 9.9569 each			
(30 September 2018: 100,000,000 units of Baht 10.00 each)	11	45,503,033,000	1,000,000,000
Capital from unitholders		45,503,033,000	1,000,000,000
Retained earnings	12	8,828,116,842	21,957,625
Net assets		<u>54,331,149,842</u>	<u>1,021,957,625</u>
Net asset value per unit		11.8886	10.2195
Number of units issued at the end of period (units)		4,570,000,000	100,000,000

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

Thailand Future Fund
Details of investments
As at 30 September 2019

Details of investments classified by asset classes

	30 September 2019				30 September 2018			
	Cost (Baht)	Fair value (Baht)	Percentage of investment (%)	Percentage of investment	Cost (Baht)	Fair value (Baht)	Percentage of investment (%)	
Investment in the infrastructure business								
Investment in the Revenue Transfer Agreement (Note 7)	44,811,000,000	53,166,000,000	99.10	-	-	-	-	
Total investment in the infrastructure business	44,811,000,000	53,166,000,000	99.10	-	-	-	-	
Investments in debt securities								
Bonds								
Bank of Thailand Bond								
CB18O18A	18 October 2018	1.2000	-	-	50,000,000	49,974,397	5.68	
Bank of Thailand Bond								
CB18O18B	18 October 2018	1.1858	-	-	180,000,000	179,906,990	20.45	
Bank of Thailand Bond								
CB18D06B	6 December 2018	1.4980	-	-	314,000,000	313,252,314	35.61	
Bank of Thailand Bond								
CB19314A	14 March 2019	1.3430	-	-	52,900,000	52,544,291	5.97	
Bank of Thailand Bond								
LB196A	13 June 2019	1.6206	-	-	182,000,000	184,793,709	21.01	
Bank of Thailand Bond								
BOT202B	26 February 2020	1.4580	-	-	100,000,000	99,208,798	11.28	
Bank of Thailand Bond								
CB19O08A	8 October 2019	1.3000	30,000,000	29,992,436	-	-	-	
Bank of Thailand Bond								
CB19O10B	10 October 2019	1.7250	32,000,000	31,986,277	-	-	-	
Bank of Thailand Bond								
CB19O24B	24 October 2019	1.7500	51,200,000	51,143,602	-	-	-	
Bank of Thailand Bond								
CB19O31A	31 October 2019	1.4650	101,000,000	100,888,884	-	-	-	
Bank of Thailand Bond								
CB19N28B	28 November 2019	1.4750	9,000,000	8,980,058	-	-	-	
Bank of Thailand Bond								
CB19D06A	6 December 2019	1.4571	128,600,000	128,271,927	-	-	-	
Bank of Thailand Bond								
CB19D26A	26 December 2019	1.3700	2,000,000	1,993,577	-	-	-	
Bank of Thailand Bond								
CB19D26B	26 December 2019	1.3612	17,100,000	17,044,580	-	-	-	
Bank of Thailand Bond								
CB20130A	30 January 2020	1.3500	11,800,000	11,746,263	-	-	-	
Bank of Thailand Bond								
CB20213A	13 February 2020	1.4000	50,500,000	50,245,400	-	-	-	
Bank of Thailand Bond								
CB20312A	12 March 2020	1.8100	20,000,000	19,874,864	-	-	-	
Bank of Thailand Bond								
BOT212A	28 February 2021	1.8785	30,500,000	30,635,052	-	-	-	
Total investments in debt securities			483,700,000	482,802,910	878,900,000	879,680,499	100.00	
Total investments			45,294,700,000	53,648,802,910	878,900,000	879,680,499	100.00	

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

Thailand Future Fund

Statement of income

(Unit: Baht)

For the period

For the year ended from 1 January 2018

Note 30 September 2019 to 30 September 2018

Investment income

Income from the Revenue Transfer Agreement		2,042,182,008	-
Interest income		11,822,228	10,278,708
Total income		2,054,004,236	10,278,708

Expenses

Management fee	14	36,985,557	149,658
Trustee fee	14	6,495,598	105,963
Registrar fee	14	5,585,458	344,130
Professional fees		2,248,305	661,718
Amortisation of deferred units issuance costs	10	271,321,568	-
Other expenses		31,172,076	228,508
Total expenses		353,808,562	1,489,977

Net investment income

1,700,195,674	8,788,731
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Net gain (loss) from investments

Net realised gain (loss) from investments		(1,958,927)	72,389
Net unrealised gain (loss) from investments	7	8,355,983,344	(859,720)

Total net gain (loss) on investments		8,354,024,417	(787,331)
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Increase in net assets resulting from operations		10,054,220,091	8,001,400
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The accompanying notes are an integral part of the financial statements.

Thailand Future Fund

Statement of changes in net assets

(Unit: Baht)

	For the year ended	For the period
	30 September 2019	from 1 January 2018 to 30 September 2018
Increase (decrease) in net assets resulting from operations during the period		
Net investment income	1,700,195,674	8,788,731
Net realised gain (loss) from investments	(1,958,927)	72,389
Net unrealised gain (loss) from investments	8,355,983,344	(859,720)
Increase in net assets resulting from operations	10,054,220,091	8,001,400
Increase in capital from unitholder	44,700,000,000	-
Capital reduction during the year	(196,967,000)	-
Distribution of income to unitholders during the year	(1,248,060,874)	-
Increase in net assets during the period	53,309,192,217	8,001,400
Net assets at the beginning of period	1,021,957,625	1,013,956,225
Net assets at the end of period	54,331,149,842	1,021,957,625

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

Thailand Future Fund

Statement of cash flows

(Unit: Baht)

For the period

For the year ended from 1 January 2018
30 September 2019 to 30 September 2018

Cash flows from operating activities

Increase in net assets resulting from operations	10,054,220,091	8,001,400
Adjustments to reconcile the increase in net assets from operations to net cash from (used in) operating activities:		
Acquisition of investment in the Revenue Transfer Agreement	(44,811,000,000)	-
Purchases of investments in securities	(2,434,620,484)	(1,486,288,026)
Sales of investments in securities	2,836,583,571	1,611,905,453
Net purchases and sales of investments in securities	401,963,087	125,617,427
Increase in the accounts receivable from the Revenue Transfer Agreement	(26,207,012)	-
Decrease (Increase) in interest receivables	2,106,765	(2,015,066)
Increase in prepaid expense	(5,290,559)	(115,970)
Amortisaion of (increase in) deferred units issuance costs	271,321,568	(119,134,020)
Increase in accounts payable and accrued expenses	14,132,567	119,160,215
Amortisation of discounts on investments	(6,061,080)	(7,863,420)
Net realised (gain) loss on investments	1,958,927	(72,389)
Net unrealised (gain) loss on investments	(8,355,983,344)	859,720
Net cash from (used in) operating activities	(42,458,838,990)	124,437,897

Cash flows from financing activities

Proceed from paid-in capital from unitholders	44,700,000,000	-
Cash paid for units issuance costs	(860,940,957)	(7,819,237)
Payment of capital reduction	(196,967,000)	-
Distribution of income to unitholders	(1,248,060,874)	-
Net cash from (used in) financing activities	42,394,031,169	(7,819,237)
Net increase (decrease) in cash at bank	(64,807,821)	116,618,660
Cash at bank at the beginning of period	118,990,181	2,371,521
Cash at bank at the end of period	54,182,360	118,990,181

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

Thailand Future Fund
Significant financial information

	(Unit: Baht)			
	For the year ended	For the period	For the year ended	For the period
	30 September 2019	from 1 January 2018 to 30 September 2018	31 December 2017	from 24 November 2016 to 31 December 2016
Operating performance (per unit)				
Net asset value at the beginning of period	10.2195	10.1395	10.0098	-
Add: Increase in capital from unitholders	-	-	-	10.0000
Less: Decrease of net asset value per unit from increase of capital from unitholders	(0.2147)	-	-	-
Payment of capital reduction	(0.0431)	-	-	-
Distribution of income to unitholders	(0.2731)	-	-	-
Income from investment operations				
Net investment income	0.3720	0.0879	0.1266	0.0100
Net realised gain (loss) from investments	(0.0004)	0.0007	0.0002	-
Net unrealised gain (loss) from investments	1.8284	(0.0086)	0.0029	(0.0002)
Total income from investment operations	2.2000	0.0800	0.1297	0.0098
Net asset value at the end of period	11.8886	10.2195	10.1395	10.0098
Ratio of increase in net assets from operations to average net assets during the period (%)				
	23.04	0.79	1.29	0.10
Significant financial ratios and additional information				
Net assets at the end of period	54,331,149,842	1,021,957,625	1,013,956,225	1,000,987,754
Ratio of total expenses to average net assets during the period (%)	0.81	0.15	0.16	0.03
Ratio of total investment income to average net assets during the period (%)	4.71	1.01	1.42	0.13
Ratio of weighted average investment purchases and sales during the period to average net assets during the period (%)*	101.89	304.21	457.81	89.54
Average net assets during the period	43,632,081,271	1,018,452,623	1,007,878,125	1,000,484,708

* Investment purchases and sales exclude cash at bank and investments in promissory notes, and must be real purchases or sales of investments which exclude purchases under resale agreements or sales under repurchase agreements.

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

Thailand Future Fund

Notes to financial statements

For the year ended 30 September 2019

1. Description of Thailand Future Fund

Thailand Future Fund ("the Fund") was established and registered on 24 November 2016 as a mutual closed-end infrastructure fund with no project life stipulated. The Fund raises funds from the public and general investors, with main objective of utilising the proceeds from such fundraising to invest in infrastructure businesses. The Fund made an initial public offering of its units which was completed in October 2018 as described in Note 11 to the financial statements and made an initial investment in infrastructure business as described in Note 7 to the financial statements. The Fund may also engage in activities within the scope allowed under Securities and Exchange Commission, Thailand ("SEC") regulations and other relevant regulations, with a view to generate income and returns for the Fund and the unitholders. This may include investment in other securities and/or deriving benefits from other means as prescribed by securities laws and/or other relevant laws.

On 31 October 2018, the Stock Exchange of Thailand approved the listing of the Fund's units and permitted their trading in the Stock Exchange of Thailand on the same date.

The Fund is jointly managed by Krungthai Asset Management Public Company Limited ("KTAM") and MFC Asset Management Public Company Limited ("MFC") (together "the Management Companies") and its trustee is Kasikornbank Public Company Limited.

As at 30 September 2019, the Fund's major unitholder is Ministry of Finance, holding 10% of the Fund's units issued.

2. Change of fiscal year in the comparative period

On 28 August 2018, the Fund received an approval from the Ministry of Finance, in its capacity as the sole unitholder of the Fund on that date, to change its fiscal year end date from 31 December to 30 September. The first reporting period after the change was the period from 1 January 2018 to 30 September 2018. Therefore, the financial statements of the comparative period which ended 30 September 2018 were prepared for the nine-month period from 1 January 2018 to 30 September 2018.

3. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and in accordance with the regulations and format specified in Accounting Standard No.106 "Accounting for Investment Business".

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

4. New financial reporting standards

(a) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

Fund's management believe that the standard will not have any significant impact on the financial statements of the Fund when it is adopted because the major revenue of the Fund is not within the scope of this standard.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

Thai Financial Reporting Standards related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

Fund's management is currently evaluating the impact of TFRSs related to financial instruments to the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

Fund's management believe that this new financial reporting standard does not have any significant impact on the financial statements of the Fund because the Fund has no lease within the scope of this financial reporting standard.

5. Significant accounting policies

5.1 Revenues and expenses recognition

Income from the Revenue Transfer Agreement is recognised on an accrual basis.

Interest income is recognised as revenue on an accrual basis based on the effective interest rate.

Premiums or discounts on debt instruments are amortised throughout the remaining term of the debt instruments, using the effective rate method, and included as part of interest income.

Gains or losses on sales of investments are recognised as income or expenses on the transaction dates.

Expenses are recorded on an accrual basis.

5.2 Measurement of investment value

Investment is recognised at cost, on the date on which the Fund receives the rights in the investment. The cost of investment comprises the purchase price and all direct expenses incurred by the Fund in its acquisition.

Investment in the Revenue Transfer Agreement

Investment in the Revenue Transfer Agreement is stated at fair value. The Management Companies measured the fair value as at the balance sheet date using the latest appraisal value from the appraisal report or the review report by an independent appraiser approved by the Securities and Exchange Commission. An appraisal will be made when economic conditions change, but at least every 3 years after the latest valuation date and to be reviewed every year after the latest valuation.

Gains or losses on valuation of investment (if any) are presented as net unrealised gains or losses in the statement of income in the period they occur.

Investments in securities

Investments in marketable debt securities which can be freely traded on an open market are presented at fair value, based on the latest yield rate quoted by the Thai Bond Market Association as of the date on which the investments are valued. The fair value of investments which cannot be freely traded on an open market is based on the yield rate as quoted by a market maker which the Management Companies consider to be the nearest equivalent to fair value. Gains or losses from the valuation of investments are recorded as net unrealised gains or losses in the statement of income. To determine the cost of investments which are disposed of, the average method is used.

Investments in cash at banks, bills of exchange and non-transferable promissory notes are presented using the sum of principal and accrued interest as of the date on which the investment is valued to determine fair value. Accrued interest is separately presented in the balance sheet under the caption of "Accounts receivable from interest".

5.3 Deferred units issuance costs

The costs directly associated with the issuance and offering of the investment units are capitalised as deferred assets and to be amortised to expense on a straight-line basis for a period of 3 years, starting from the completion of issuance and subscription of the investment units.

5.4 Distribution of income to unitholders

Decreases in retained earnings are recognised on the date a dividend is declared.

5.5 Provisions

Provisions are recognised when the Fund has a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle obligation, and a reliable estimate can be made of the amount of the obligation.

5.6 Income tax

The Fund has no corporate income tax liability since it is not subject to corporate income tax in Thailand.

5.7 Related party transactions

Related parties of the Fund comprise individuals or enterprises that own voting interest of at least 10% in the Fund, control, or are controlled by, the Fund, whether directly or indirectly, or which are under common control with the Fund.

They also include the Management Companies, trustee and their related parties and included associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Fund that gives them significant influence over the Fund, key management personnel and directors of the Management Companies with authority in the planning and directing the Fund's operations.

5.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Fund applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Fund measures fair value using valuation technique that are

appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Fund determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires the Management Companies to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Fair value of investment in the Revenue Transfer Agreement

The fair value of the investment in the Revenue Transfer Agreement (the RTA) is determined by reference to the appraise value from the appraisal report or the review report by an independent appraiser who uses income approach method. The determination of the fair value of the investment requires the use of estimates for the future cash flows that the Fund will receive under the agreement which is calculated at the rate of 45% of the amount of tolls Expressway Authority of Thailand collected from motorists using Chalong Rat Expressway and Burapha Withi Expressway, after deducting an amount equivalent to the VAT then applicable, but in any case a minimum of 10% of tolls collected for the remaining period of the RTA (expiry date 28 October 2048). An appropriate discount rate is used to discount the series of the projected cash flows to present value of which the aggregate amount equals the fair value of the investment. The assumptions are used in the valuation such as the traffics of the two expressways, average toll rate, growth rate of Consumer Price Index for Bangkok, number of days the government announced as toll-free day for Burapha Withi Expressway, and discount rate etc.

7. Investment in the Revenue Transfer Agreement

On 8 October 2018, the Fund entered into the Revenue Transfer Agreement ("RTA") with the Expressway Authority of Thailand ("EXAT") to invest in the right to receive revenue at the rate of 45% of the actual amount of tolls EXAT collected from motorists using Chalong Rat Expressway and Burapha Withi Expressway, after deducting an amount equivalent to the VAT then applicable, but in any case a minimum of 10% of tolls collected for a period of 30 years from the effective date of the RTA. The Fund made payment for the consideration of the RTA of Baht 44,811 million to EXAT on 29 October 2018, which was on the same date that the RTA became effective.

Movements of the investment in the RTA for the year ended 30 September 2019 are as follows.

(Unit: Thousand Baht)

Investment in the RTA at cost

Balance at the beginning of the year	-
Add: Investment during the year	44,811,000
Balance at the end of the year	44,811,000

Fair value adjustments

Balance at the beginning of the year	-
Unrealised gain during the year	8,355,000
Balance at the end of the year	8,355,000

Investment in the RTA at fair value

53,166,000

The Fund engaged an independent appraiser to appraise the fair value of the investment in the Revenue Transfer Agreement as at 30 September 2019 using the income approach. The Fund revalued such investments to be as new fair value amounting to Baht 53,166 million, resulting in the net unrealised gains from the revaluation amounting to Baht 8,355 million.

Key assumptions used in the valuation of investment are summarised below:

	(% per annum)
Discount rate	7.25
Forecasted long-term growth rate of Consumer Price Index for Bangkok	2.33

An increase in the discount rate would cause the fair value of the investment to decrease and, taken in isolation, an increase in the forecasted long-term growth rate of Consumer Price Index for Bangkok would result in higher toll rates, which could cause the fair value of the investment to increase.

8. Cash at banks

Bank	Principal (Million Baht)		Interest rate (% per annum)	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Kasikornbank Public Company Limited				
Saving account	21.20	48.89	0.37	0.37
United Overseas Bank (Thai) Public Company Limited				
Saving account	26.67	70.10	0.75	0.85
Krung Thai Bank Public Company Limited				
Saving account	6.31	-	0.38	-
Total	54.18	118.99		

9. Accounts receivable from the Revenue Transfer Agreement

As at 30 September 2019, the balance of accounts receivable from the Revenue Transfer Agreement was not yet due.

10. Investment unit issuance costs

The costs associated with the issuance of the investment units payable by the Fund include underwriting fees, audit fee, asset appraisal fee, traffic assessment professional fee, industrial consulting fee, technical consulting fee, legal advisor fee, financial advisor fee, travelling, marketing and media costs for selling the investment unit.

Movements of the deferred units issuance costs are as follows.

	(Unit: Thousand Baht)	
	For the year ended 30 September 2019	For the period from 1 January 2018 to 30 September 2018
Balance at the beginning of period	149,409	22,456
Add: Increase during period	732,990	126,953
Less: Amortisation during period	(271,322)	-
Balance at the end of period	611,077	149,409

11. Fund registered

Movements of the investment units and capital from unitholders are as follow.

	For the year ended 30 September 2019			For the period from 1 January 2018 to 30 September 2018		
	Unit	Par value	Capital	Unit	Par value	Capital
	(Million units)	(Baht)	(Million Baht)	(Million units)	(Baht)	(Million Baht)
Balance at the beginning of period	100	10.0000	1,000	100	10.0000	1,000
Paid in capital from unitholders	4,470	10.0000	44,700	-	-	-
Capital reduction	-	(0.0431)	(197)	-	-	-
Balance at the end of period	<u>4,570</u>	<u>9.9569</u>	<u>45,503</u>	<u>100</u>	<u>10.0000</u>	<u>1,000</u>

Following the approval of increasing of the fund registered from SEC on 5 October 2018, the Fund made an initial public offering of its units, from 12 to 19 October 2018, at an offering price of Baht 10.00 per unit, and on 26 October 2018, the Fund registered the increase in its capital from Baht 1,000 million to Baht 45,700 million with SEC. The capital increase consists of 4,470 million units with a par value of Baht 10.00 each, and subsequent to the capital increase the Fund has 4,570 million units in total. The Fund's investment units were approved as listed securities by the Stock Exchange of Thailand, with trading permitted from 31 October 2018.

In February, May and August 2019, the Fund declared reductions in the value of investment units totaling of Baht 0.0431 per unit, or a total of Baht 197 million, without any change in the number of units, in order to decrease the excess liquidity arising from the amortisation charges of deferred units issuance costs.

12. Retained earnings

	(Unit: Thousand Baht)	
	For the year ended 30 September 2019	For the period from 1 January 2018 to 30 September 2018
Accumulated net investment income	22,451	13,662
Accumulated net realised gains on investments	95	23
Accumulated net unrealised gains (losses) on investments	(588)	271
Retained earnings at the beginning of period	21,958	13,956
Add: Increase in net assets resulting from operations during the period	10,054,220	8,002
Less: Distribution to unitholder during the period	(1,248,061)	-
Retained earnings at the end of period	8,828,117	21,958

13. Distribution to unitholders

Dividends declared during the year consisted of the following.

Declaration date	For the operations of the period	Per unit (Baht)	Total (Million Baht)
15 February 2019	1 October 2018 to 31 December 2018	0.0744	340
17 May 2019	1 January 2019 to 31 March 2019	0.1025	468
15 August 2019	1 April 2019 to 30 June 2019	0.0962	440
		0.2731	1,248

14. Fund expenses

The Management Companies calculate the management fee, trustee fee and registrar fee as follows:

Management fee

The management fee is charged at a fixed rate for the period of every 6 months commencing from the Fund's registration date to 24 November 2018 and the Fund has no investment in infrastructure businesses. After the Fund invests in infrastructure businesses, the management fee is charged at the rate not more than 1.00% per annum of the net asset value of the Fund at the end of month. The minimum fee is Baht 10 million per annum (exclusive of VAT or other similar taxes).

Trustee fee

The Fund is exempted from trustee fee for the first six months from the Fund's registration date and the Fund's asset are cash or government bonds. However, after the first six months, the trustee fee is calculated at the rate not more than 0.50% per annum of the net asset value of the Fund at the end of month (exclusive of VAT or other similar taxes).

Registrar fee

A registrar fee is calculated at a rate of 0.043% per annum of the Fund's registered capital (exclusive of VAT or other similar taxes). After the capital increase, a registrar fee is calculated at a rate of 0.023% per annum of the Fund's registered capital. The maximum charge is Baht 5 million per annum (excludes value added tax or any other similar tax).

15. Related party transactions

The below table presents relationships with enterprises and individuals that control, or are controlled by, the Fund, whether directly or indirectly, or which are under common control with the Fund.

Name of entities	Nature of relationship
Ministry of Finance	Unitholder, holding 10% of the Fund's units
Krung Thai Asset Management Public Company Limited	The Fund's management company
MFC Asset Management Public Company Limited	The Fund's management company
Kasikornbank Public Company Limited	The Fund's trustee
Krung Thai Bank Public Company Limited	The major shareholder of Krung Thai Asset Management Public Company Limited

During the year, the Fund had significant business transactions with related parties which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Fund and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	For the year ended 30 September 2019	For the period from 1 January 2018 to 30 September 2018	Transfer pricing policy
Krung Thai Asset Management Public Company Limited			
Management fee	18.49	0.07	As described in Note 14
MFC Asset Management Public Company Limited			
Management fee	18.49	0.07	As described in Note 14

(Unit: Million Baht)

	For the year ended 30 September 2019	For the period from 1 January 2018 to 30 September 2018	Transfer pricing policy
Kasikornbank Public Company Limited			
Trustee fee	6.50	0.11	As described in Note 14
Interest income	1.67	0.02	General deposit interest rate
Krung Thai Bank Public Company Limited			
Underwriting fee	185.05	-	The basis stated in the agreement
Interest income	0.09	-	General deposit interest rate

At the end of the year, the Fund had the following significant outstanding balances with its related companies.

	30 September 2019	30 September 2018
Krung Thai Asset Management Public Company Limited		
Accrued management fee	1.91	0.01
MFC Asset Management Public Company Limited		
Accrued management fee	1.91	0.01
Kasikornbank Public Company Limited		
Cash at bank	21.20	48.89
Accounts receivable from interest	0.04	0.01
Accrued trustee fee	0.62	0.01
Krung Thai Bank Public Company Limited		
Cash at bank	6.31	-

16. Information on investment purchase and sale transactions

The Fund's investment purchase and sale transactions during the current year, excluding investments in cash at bank and investments in promissory notes, amounted to Baht 50,082 million which is 114.78% of the average net asset value during the year (For the period from 1 January 2018 to 30 September 2018: Baht 3,098 million, represented 304.21%).

17. Commitments

The Fund is committed to pay fees to counterparties as described in Note 14 to the financial statements.

18. Fair value hierarchy

As at 30 September 2019 and 2018, the Fund had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 September 2019			
	Level 1	Level 2	Level 3	Total
Investment in the Revenue Transfer Agreement	-	-	53,166	53,166
Investment in securities	-	483	-	483

(Unit: Million Baht)

	As at 30 September 2018			
	Level 1	Level 2	Level 3	Total
Investment in securities	-	880	-	880

During the year, there were no transfers within the fair value hierarchy.

19. Financial instruments

19.1 Financial risk management

The Fund's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise investment in the RTA, investments in securities, cash at bank, receivables from the RTA and interest, accounts payable and accrued expenses. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Fund is exposed to credit risk primarily with respect to investments in the Revenue Transfer agreement, investment in the debt securities, and the accounts receivable from the RTA and interest receivable from cash at bank. The Fund concentrates in investing in the investments that the counterparty of the agreement or the issuer of the instruments are financially stable, the Fund therefore does not expect to incur material financial losses from credit in the short to the medium term. The maximum exposure to credit risk is the carrying amounts of the assets as stated in the balance sheet.

Interest rate risk

The Fund's exposure to interest rate risk relates primarily to its investments in securities and cash at bank. However, most of the Fund's financial assets are short-term in nature and bear fixed interest rates which are close to the market rate. Therefore, the interest rate risk is expected to be minimal.

19.2 Fair values of financial instruments

The Fund measures its investments in the Revenue Transfer Agreement and the securities at fair value. Other major financial instruments held by the Fund are short-term in nature or carrying interest at rates close to market interest rate, the Fund therefore believe that fair value of financial instruments is not to be materially different from the amounts presented in the balance sheet.

20. Capital management

The primary objectives of the Fund's financial management are to maintain its ability to continue as a going concern and to maintain an appropriate capital structure in order to provide returns for unitholders in accordance with the Fund's establishment objective.

21. Segment information

The Fund principally operates its business in one segment, which is investing in financial instruments, and its operation is carried on only in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

22. Approval of financial statements

These financial statements were authorised for issue by Krungthai Asset Management Public Company Limited and MFC Asset Management Public Company Limited as the Management Companies on 15 November 2019.