



Financial Report 2017

Thailand Futures Exchange

Independent auditor's report

To the Shareholders of Thailand Futures Exchange Public Company Limited

My opinion

In my opinion, the financial statements of Thailand Futures Exchange Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

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

I communicate with 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.

PricewaterhouseCoopers ABAS Ltd.



Unakorn Phruithithada

Certified Public Accountant (Thailand) No. 3257

Bangkok

21 February 2018

THAILAND FUTURES EXCHANGE PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017

Thailand Futures Exchange Public Company Limited
Statement of Financial Position
As at 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
		<u> </u>	<u> </u>
Assets			
Current assets			
Cash and cash equivalents	7	35,671	24,954
Accounts receivable and accrued income, net	6, 8	49,272	40,798
Accrued interest receivable		170	243
Short-term loans to the parent	6	680,000	645,000
Other current assets	9	11,636	11,931
Total current assets		<u>776,749</u>	<u>722,926</u>
Non-current assets			
Intangible assets, net	10	-	1
Derivatives Investor Protection Fund	20	91,486	82,875
Deferred tax assets	11	335	20
Total non-current assets		<u>91,821</u>	<u>82,896</u>
Total assets		<u><u>868,570</u></u>	<u><u>805,822</u></u>

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

Thailand Futures Exchange Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
		<u> </u>	<u> </u>
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	6	37,051	43,367
Unearned revenues	6	5,674	13,689
Income tax payable		9,986	5,766
Current portion of provision for employee benefits	12	1,452	-
Other current liabilities		<u>2,277</u>	<u>1,217</u>
Total current liabilities		<u>56,440</u>	<u>64,039</u>
Non-current liabilities			
Contributions and benefits to Derivatives Investor Protection Fund	20	<u>36,824</u>	<u>28,835</u>
Total non-current liabilities		<u>36,824</u>	<u>28,835</u>
Total liabilities		<u>93,264</u>	<u>92,874</u>

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

Thailand Futures Exchange Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
		<u> </u>	<u> </u>
Equity			
Share capital			
Authorised share capital			
50,000,000 ordinary shares, at par value of Baht 10 each	14	<u>500,000</u>	<u>500,000</u>
Issued and fully paid-up share capital			
50,000,000 ordinary shares, fully paid-up of Baht 10 each		500,000	500,000
Derivatives Investor Protector Fund	20	54,662	54,040
Retained earnings			
Appropriated - Legal reserve	15	19,433	14,300
Unappropriated		<u>201,211</u>	<u>144,608</u>
Total equity		<u>775,306</u>	<u>712,948</u>
Total liabilities and equity		<u>868,570</u>	<u>805,822</u>

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

Thailand Futures Exchange Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Revenues			
Trading fees		331,671	368,228
Membership fees		28,793	41,500
Information service fees	6	32,346	32,382
Interest income	6	9,920	5,282
Other income	6	52,377	22,280
Total revenues		455,107	469,672
Expenses			
Administrative expenses	6, 16	282,023	351,586
Employee benefit expenses	13	41,861	9,861
Directors' remuneration		2,178	2,080
Total expenses		326,062	363,527
Revenues over expenses		129,045	106,145
Non-operating items			
Income derived from Derivatives Investor Protection Fund, net	20	622	764
Profit before income tax expense		129,667	106,909
Income tax expense	17	(27,009)	(21,229)
Profit for the year		102,658	85,680
Other comprehensive income		-	-
Total comprehensive income for the year		102,658	85,680
Earnings per share			
Basic earnings per share (Baht)	18	2.05	4.05

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

Thailand Futures Exchange Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2017

		Derivatives		Retained earnings	
	Issued and	Investor	Legal reserve	- unappropriated	Total
	fully paid-up	Protection			
	share capital	Fund			
Notes	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Opening balance at 1 January 2016	100,000	53,276	10,000	63,992	227,268
Issued share capital	14 400,000	-	-	-	400,000
Total comprehensive income for the year	-	764	-	84,916	85,680
Legal reserve	15 -	-	4,300	(4,300)	-
Closing balance at 31 December 2016	<u>500,000</u>	<u>54,040</u>	<u>14,300</u>	<u>144,608</u>	<u>712,948</u>
Opening balance at 1 January 2017	500,000	54,040	14,300	144,608	712,948
Total comprehensive income for the year	-	622	-	102,036	102,658
Dividends	19 -	-	-	(40,300)	(40,300)
Legal reserve	15 -	-	5,133	(5,133)	-
Closing balance at 31 December 2017	<u>500,000</u>	<u>54,662</u>	<u>19,433</u>	<u>201,211</u>	<u>775,306</u>

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

Thailand Futures Exchange Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Cash flows from operating activities			
Profit before income tax expense		129,667	106,909
Adjustments for:			
Amortisation	10	1	3
Interest income		(9,920)	(5,282)
Provision for employee benefits	12	1,932	-
Income derived from			
Derivatives Investor Protection Fund, net	20	<u>(622)</u>	<u>(764)</u>
Operating profit before changes in operating assets and liabilities		121,058	100,866
(Increase) decrease in operating assets			
Accounts receivable and accrued income		(8,474)	(6,668)
Other current assets		295	430
Derivatives Investor Protection Fund		(8,833)	(10,024)
Increase (decrease) in operating liabilities			
Accounts payable and accrued expenses		(6,316)	12,202
Unearned revenues		(8,015)	(11,703)
Employee benefits paid	12	(480)	-
Other current liabilities		1,060	1,074
Contributions and benefits to Derivatives Investor Protection Fund		<u>7,989</u>	<u>8,855</u>
Cash flows generated from operations		98,284	95,032
<u>Less</u> Income tax paid		<u>(23,104)</u>	<u>(20,872)</u>
Net cash generated from operating activities		<u>75,180</u>	<u>74,160</u>

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

Thailand Futures Exchange Public Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Cash flows from investing activities			
Interest received		9,993	5,221
Addition of short-term loans to the parent	6	(85,000)	(490,000)
Repayment of short-term loans to the parent	6	50,000	20,000
Benefits received from Derivatives Investor Protection Fund		844	1,169
Net cash used in investing activities		(24,163)	(463,610)
Cash flows from financing activities			
Increase in share capital	14	-	400,000
Dividends paid	19	(40,300)	-
Net cash generated from (used in) financing activities		(40,300)	400,000
Net increase in cash and cash equivalents		10,717	10,550
Opening balance		24,954	14,404
Closing balance	7	35,671	24,954

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

1 General information

Thailand Futures Exchange Public Company Limited, “the Company”, is incorporated in Thailand on 17 May 2004. The Company is a wholly-owned subsidiary of The Stock Exchange of Thailand (“the Parent”).

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

The address of its registered office is located at 93 Floor 16, Ratchadapisek Road, Kwaeng Din Daeng, Khet Din Daeng, Bangkok 10400.

These financial statements were authorised for issue by the management on 21 February 2018.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy for investment below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

An English version of the financial statements has 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 Accounting policies (Cont'd)

2.2 Revised financial reporting standards, and related interpretations

2.2.1 Revised financial reporting standards and interpretations which are effective on 1 January 2017 have no significant impact to the Company.

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Company. The Company has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The management assessed and considered that the above revised standards will not have a material impact on the Company.

2 Accounting policies (Cont'd)

2.3 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 recognised in the profit or loss.

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

2.4 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statements of financial position, bank overdrafts are shown in current liabilities.

2.5 Investments

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 recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

2 Accounting policies (Cont'd)

2.5 Investments (Cont'd)

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 unrealised gains and losses of trading investments are recognised in profit or loss. The unrealised gains and losses of available for sale investments are recognised in comprehensive income.

Held-to-maturity investments are carried at amortised 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.

2.6 Accounts receivable and accrued income

Accounts receivable represent amounts due from securities companies and other companies. Accrued income represents service income and unbilled fee. Accounts receivable and accrued income are carried at original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end.

The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within administrative expenses.

2.7 Equipment

Equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life as follows:

Furniture and fixtures	5 - 20 years
Computer equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Accounting policies (Cont'd)

2.7 Equipment (Cont'd)

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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 amortisation and impairment losses. Intangible assets are amortised in the statement of comprehensive income 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 amortisation 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 have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 Accounts payable and accrued expenses

Accounts payable and accrued expenses are stated at cost.

2.11 Provisions

Provisions are recognised 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 recognised as interest expense.

2 Accounting policies (Cont'd)

2.12 Employee benefits

Retirement benefits

The Company operate various retirement benefits schemes. The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company pays contributions to a separate fund which is managed by an external fund manager in accordance with the provident fund Act. B.E. 2530. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement liability. The Company reviews the assumptions used annually.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

2 Accounting policies (Cont'd)

2.13 Revenues

Revenues exclude value added taxes.

Trading fees and Information service fees are recognised upon performance of services.

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

Interest income is recognised 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 recognised when the right to receive payment is established.

2.14 Expenses

Expenses are charged to the statement of comprehensive income for the year in which they are incurred.

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 recognised in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.17 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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 in the countries where the Company operates and generates taxable income. 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 recognised, 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.

2 Accounting policies (Cont'd)

2.17 Current and deferred income taxes (Cont'd)

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

3 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk and liquidity risk. The Company has risk management plan which maintains the working capital for its operation. The excess of working capital will be lent to the parent. 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.

3.1 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.

3.2 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.

3 Financial risk management (Cont'd)

Financial risk factors (Cont'd)

3.3 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 parent, who has high credit quality and good reputation.

3.4 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.

4 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5 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.

6 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.

Thailand Futures Exchange Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2017

6 Related party transactions (Cont'd)

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	Parent entity, 100% shareholding, all directors are representatives of the parent
SETTRADE.COM Company Limited	Thailand	Related party and is controlled by the parent
Family Know-how Co., Ltd.	Thailand	Related party and is 50% jointly - controlled by the parent

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 31 December 2017 and 2016 and balances as at 31 December 2017 and 2016 were as follows:

6.1 Service income

	Nature of relationship	2017 Baht'000	2016 Baht'000
Information service fees	Related party	<u>1,884</u>	<u>1,284</u>

6.2 Interest income

	Nature of relationship	2017 Baht'000	2016 Baht'000
Interest income	The parent	<u>9,501</u>	<u>4,819</u>

6.3 Other income

	Nature of relationship	2017 Baht'000	2016 Baht'000
Other income	The parent	<u>41,861</u>	<u>13,009</u>

Thailand Futures Exchange Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2017

6 Related party transactions (Cont'd)

Transactions with related parties for the years ended 31 December 2017 and 2016 and balances as at 31 December 2017 and 2016 were as follows: (Cont'd)

6.4 Fee and service expenses

		2017	2016
		Baht'000	Baht'000
Nature of relationships			
Fee and service expenses	The parent	250,862	324,528
	Related party	1,200	600
		<u>252,062</u>	<u>325,128</u>

6.5 Short-term loans to the parent

	Interest rate		2017	2016		
	2017	2016			2017	2016
	% per annum	% per annum			Baht'000	Baht'000
Short-term loans to the parent	1.38 - 1.55	1.38 - 2.00	<u>680,000</u>	<u>645,000</u>		

The parent has a policy of centralising the investments and managed by the parent in order to maximize its efficiency and overall returns. The parent 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 parent for the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
	Baht'000	Baht'000
Opening balance	645,000	175,000
Additions	85,000	490,000
Repayments received	(50,000)	(20,000)
Closing balance	<u>680,000</u>	<u>645,000</u>

6.6 Outstanding balance arising from render of services

		2017	2016
		Baht'000	Baht'000
Nature of relationships			
Accrued income	The parent	17,486	5,734
	Related party	-	600
		<u>17,486</u>	<u>6,334</u>
Accrued expenses	The parent	22,894	34,801
	Related party	-	600
		<u>22,894</u>	<u>35,401</u>
Unearned revenues	Related party	<u>57</u>	<u>57</u>

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7 Cash and cash equivalents

	2017	2016
	Baht'000	Baht'000
Savings and current accounts	35,671	24,954

For the year ended 31 December 2017, savings accounts carried interest at rates ranging from 0.50% - 0.95% per annum (2016: from 0.50% - 0.95% per annum).

8 Accounts receivable and accrued income, net

	2017	2016
	Baht'000	Baht'000
Accounts receivable	426	1,066
Accrued income		
Related parties (Note 6)	17,486	6,334
Others	31,360	33,398
	48,846	39,732
	49,272	40,798

Aging analyses for accounts receivable are as follows:

	2017	2016
	Baht'000	Baht'000
Accounts receivable		
Within credit terms	26	700
Overdue:		
Less than 3 months	400	366
	426	1,066

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

9 Other current assets

	2017	2016
	Baht'000	Baht'000
Withholding tax receivable	11,633	11,633
VAT receivable	-	75
Others	3	223
	11,636	11,931

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10 Intangible assets, net

	Computer software Baht'000
As at 1 January 2016	
Cost	352
<u>Less</u> Accumulated amortisation	<u>(348)</u>
Net book amount	<u>4</u>
For the year ended 31 December 2016	
Opening net book amount	4
Amortisation charge (Note 16)	<u>(3)</u>
Net book amount	<u>1</u>
As at 31 December 2016	
Cost	352
<u>Less</u> Accumulated amortisation	<u>(351)</u>
Net book amount	<u>1</u>
For the year ended 31 December 2017	
Opening net book amount	1
Amortisation charge (Note 16)	<u>(1)</u>
Net book amount	<u>-</u>
As at 31 December 2017	
Cost	352
<u>Less</u> Accumulated amortisation	<u>(352)</u>
Net book amount	<u>-</u>

11 Deferred income taxes

Statement of financial position shows the balance as follows:

	2017 Baht' 000	2016 Baht' 000
As at 31 December		
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	<u>335</u>	<u>20</u>

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11 Deferred income taxes (Cont'd)

The gross movement of the deferred income tax account is as follows:

	2017	2016
	Baht' 000	Baht' 000
Opening balance	20	-
Charged (credited) to revenues over expenses (Note 17)	315	20
Closing balance	<u>335</u>	<u>20</u>

The movement in deferred tax assets during the year is as follows:

	Provision for	Provision for	Total
	annual leave	employee	Total
	Baht'000	benefits	Baht'000
	Baht'000	Baht'000	Baht'000
At 1 January 2016	-	-	-
Charged (credited) to revenues over expenses (Note 17)	20	-	20
At 31 December 2016	20	-	20
Charged (credited) to revenues over expenses (Note 17)	25	290	315
At 31 December 2017	<u>45</u>	<u>290</u>	<u>335</u>

12 Provision for employee benefits

	2017	2016
	Baht'000	Baht'000
Statement of financial position		
Current portion of provision for employee benefits	1,452	-
	<u>1,452</u>	<u>-</u>
Expense charge included in the statement of comprehensive income		
Retirement benefits	1,932	-
	<u>1,932</u>	<u>-</u>

The amounts recognised in the statement of financial position are determined as follows:

	2017	2016
	Baht'000	Baht'000
Present value of obligations		
Current portion of provision for employee benefits	1,452	-
Liabilities in the statement of financial position	<u>1,452</u>	<u>-</u>

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12 Provision for employee benefits (Cont'd)

The movement in the defined benefit obligation over the year is as follows:

	2017	2016
	Baht'000	Baht'000
At 1 January	-	-
Current service cost	1,925	-
Interest cost	7	-
	<u>1,932</u>	<u>-</u>
<u>Less</u> Benefits paid	<u>(480)</u>	<u>-</u>
At 31 December	<u><u>1,452</u></u>	<u><u>-</u></u>

For the years ended 31 December 2017 and 2016 the amounts recognised in the statement of comprehensive income are as follows:

	2017	2016
	Baht'000	Baht'000
Current service cost	1,925	-
Interest cost	7	-
	<u>1,932</u>	<u>-</u>

For the years ended 31 December 2017 and 2016, the principal actuarial assumptions used were as follows:

	2017	2016
Discount rate as of 31 December	2.75%	-
Salary increase rate	6.50%	-
Average turnover rate	0.00% - 13.00%	-
Pre-retirement mortality rate	75% of TMO2017	-
Retirement age	60 years old	-

Sensitivity analysis on key assumption changes are as follows;

	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2017	2016	2017	2016	2017	2016
Discount rate	1%	-	Decrease by 13%	-	Increase by 15%	-
Salary growth rate	1%	-	Increase by 16%	-	Decrease by 13%	-
Turnover growth rate	20%	-	Decrease by 6%	-	Increase by 6%	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 20 years.

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12 Provision for employee benefits (Cont'd)

Expected maturity analysis of undiscounted retirement benefits:

	With in 1 year Baht'000	1-5 years Baht'000	Over 5 years Baht'000	Total Baht'000
At 31 December 2017				
Retirement benefits	-	81	2,098	2,179
Total	-	81	2,098	2,179
	With in 1 year Baht'000	1-5 years Baht'000	Over 5 years Baht'000	Total Baht'000
At 31 December 2016				
Retirement benefits	-	-	-	-
Total	-	-	-	-

13 Employee benefit expenses

	2017 Baht'000	2016 Baht'000
Salaries and other benefits	39,543	9,284
Contribution to provident fund	2,318	577
	<u>41,861</u>	<u>9,861</u>

The Company has participated in provident funds of the Stock Exchange of Thailand. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Company at 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.

14 Share capital

	Number of ordinary shares Shares'000	Total Baht'000
At 1 January 2016	10,000	100,000
Issue of share	40,000	400,000
At 31 December 2016	50,000	500,000
Issue of share	-	-
At 31 December 2017	<u>50,000</u>	<u>500,000</u>

The total number of authorised ordinary shares is 50,000,000 shares (2016: 50,000,000 shares) with a par value of Baht 10 per share (2016: Baht 10 per share). All issued shares are fully paid.

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14 Share capital (Cont'd)

On 15 June 2016, the shareholders at the extraordinary meeting no. 01/2016 passed a resolution to approve increase the authorised share capital from 10,000,000 ordinary shares with a par value of Baht 10 per share to 50,000,000 ordinary shares with a par value of Baht 10 per share. On 16 September 2016, the Company received subscription of 40,000,000 additional shares at Baht 10 each totalling Baht 400,000,000. The Company registered the increased share capital with the Ministry of Commerce on 20 September 2016.

15 Legal reserve

	2017	2016
	Baht'000	Baht'000
Opening balance the year	14,300	10,000
Appropriation during the year	5,133	4,300
Closing balance	<u>19,433</u>	<u>14,300</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.

16 Expense by nature

	2017	2016
	Baht'000	Baht'000
Management fees	250,862	324,528
Marketing expenses	13,981	13,124
Licensing and professional fees	6,921	7,594
SEC fees	2,000	2,000
Depreciation and amortisation (Note 10)	1	3
Others	8,258	4,337
	<u>282,023</u>	<u>351,586</u>

17 Income tax expense

	2017	2016
	Baht'000	Baht'000
Current income tax:		
Current income tax	27,324	21,249
Total current income tax	<u>27,324</u>	<u>21,249</u>
Deferred income tax:		
Origination and reversal of temporary differences	(315)	(20)
Total deferred income tax	<u>(315)</u>	<u>(20)</u>
Total income tax	<u>27,009</u>	<u>21,229</u>

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17 Income tax expense (Cont'd)

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

	2017	2016
	Baht'000	Baht'000
Revenues over expenses before income tax expense	129,045	106,145
Tax calculated at a tax rate of 20% (2016: 20%)	25,809	21,229
Expenses not deductible for tax purposes	1,200	-
Income tax	<u>27,009</u>	<u>21,229</u>

The weighted average applicable tax rate was 20.93% (2016: 20%).

18 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.

	2017	2016
Profit attributable to shareholders (Baht'000)	102,658	85,680
Weighted average number of ordinary shares in issue during the years (Shares'000)	50,000	21,178
Basic earnings per share (Baht per share)	2.05	4.05

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2017 and 2016.

19 Dividends

At the extraordinary shareholders meeting held on 17 April 2017, the shareholders approved an appropriation of a dividend from the profit for the year ended 31 December 2016 of Baht 0.806 per share for 50 million ordinary shares, amounting to Baht 40.30 million. The dividend was paid during 2017.

20 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 15 November 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 31 December 2017, there were 37 DIPF members from security companies (2016: 41 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.

The statement of financial position of the DIPF as at 31 December 2017 and 2016 which are included in the Company's financial statements are as follows:

	2017	2016
	Baht'000	Baht'000
Assets		
Current assets		
Cash deposits and short-term investments	74,039	73,654
Contributions from members	599	460
Accrued interest receivable	629	555
Total current assets	75,267	74,669
Non-current asset		
Long-term investments	16,219	8,206
Total current asset	16,219	8,206
Total assets	91,486	82,875
Liabilities and fund balances		
Current liabilities		
Income tax payable	234	257
Other current liabilities	1	-
Total current liabilities	235	257
Non-current liabilities		
Contributions from members	35,243	27,600
Benefits on contributions from members	1,346	978
Total non-current liabilities	36,589	28,578
Total liabilities	36,824	28,835
Fund balances		
Initial fund	50,000	50,000
Benefits on contributions from the Company	4,662	4,040
Total fund balances	54,662	54,040
Total liabilities and fund balances	91,486	82,875

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20 Derivatives Investor Protection Fund (Cont'd)

The statement of revenues and expenses of the DIPF which are included as parts of the statement of comprehensive income for the year ended 31 December 2017 and 2016 are as follows:

	Member's portion Baht'000	TFEX's portion Baht'000	Total Baht'000
For the year ended 31 December 2017			
Revenues			
Interest income	525	889	1,414
Total revenues	525	889	1,414
Expenses			
Operating expenses	65	111	176
Total expenses	65	111	176
Revenues over expenses before income tax expense	460	778	1,238
Income tax expense	(92)	(156)	(248)
Revenues over expenses for the year	368	622	990
Other comprehensive revenues and expenses	-	-	-
Total comprehensive revenues and expenses for the year	368	622	990
	Member's portion Baht'000	TFEX's portion Baht'000	Total Baht'000
For the year ended 31 December 2016			
Revenues			
Interest income	454	1,042	1,496
Total revenues	454	1,042	1,496
Expenses			
Operating expenses	39	88	127
Total expenses	39	88	127
Revenues over expenses before income tax expense	415	954	1,369
Income tax expense	(84)	(190)	(274)
Revenues over expenses for the year	331	764	1,095
Other comprehensive revenues and expenses	-	-	-
Total comprehensive revenues and expenses for the year	331	764	1,095

21 Fair value

Fair value estimation

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the financial assets and liabilities that are not measured at fair value at 31 December 2017.

	2017			
	Level 1	Level 2	Level 3	Total
	Baht'000	Baht'000	Baht'000	Baht'000
Held-to-maturity debt securities	-	70,620	-	70,620
Total	-	70,620	-	70,620

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, accounts receivable, accrued interest receivable, short-term loans to the parent, deposits and other benefits in Derivatives Investor Protection Fund and accounts 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 debt securities include fixed deposit accounts. 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.



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