

**TESCO LOTUS RETAIL GROWTH FREEHOLD AND
LEASEHOLD PROPERTY FUND**

STATUTORY FINANCIAL STATEMENTS

28 FEBRUARY 2017

Independent Auditor's Report

To the Unitholders of Tesco Lotus Retail Growth Freehold and Leasehold Property Fund

My opinion

In my opinion, the financial statements of Tesco Lotus Retail Growth Freehold and Leasehold Property Fund ("the Fund") present fairly, in all material respects, the financial position and the details of investments of the Fund as at 28 February 2017, and its financial performance, changes in net assets, cash flows and significant financial information and ratios for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

I have audited the accompanying financial statements of the Fund, which comprise the statement of assets and liabilities and the details of investments as at 28 February 2017, and the statement of income, changes in net assets, cash flows and significant financial information and ratios for the year then ended, and notes to the financial statements, including 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 Fund 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.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I determine one key audit matter: valuation of investment in freehold and leasehold properties. The matter was 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 the matter.

Key audit matter	How my audit addressed the key audit matter
<p><i>Valuation of investments in freehold and leasehold properties</i></p> <p>Refer to Note 4 to the financial statements for critical accounting estimates and judgements and Note 6 to the financial statements for investments at fair value</p> <p>As at 28 February 2017, The Fund has total cost of investments in properties Bath 27,808 million, and total fair value of investment in property Bath 29,171 million which estimated fair value by using the income approach by the independent professional appraisers authorised by the Securities and Exchange Commission (“the SEC”).</p> <p>I focused on this area because the valuation of investments in freehold and leasehold properties involved significant judgement by management and management assumption in determining the fair value of investments in freehold and leasehold properties. The valuation is based on the estimated future net cash flows adjusting by revenue growth rate, occupancy rate and discounted by the market rate. However, there is the estimation uncertainty of cash flows received from freehold and leasehold properties throughout the lifetime of properties and leasehold periods.</p>	<p>I discussed with Management Company and independent appraisers to understand the basis used for measurement of valuation of investments in freehold and leasehold properties.</p> <p>I assessed the basis and checked validity of data used in evaluating the estimation of the expected future cash flows received from freehold and leasehold properties as following:</p> <p>I evaluated the appropriateness of the estimated future cash flows from independent appraisers used in the calculation to estimate fair value. I checked the data inputs with the supporting documentations as follows:</p> <ul style="list-style-type: none"> • the estimated future net cash flows to be received from freehold and leasehold properties which was estimated from revenue, expenses and net income throughout properties’ lifetime and leasehold periods • the growth rate of revenue by agreeing with lease contracts and historical growth rate • the occupancy rate by agreeing with the average occupancy rate from historical information • the discount rate by benchmarking these against the same industries <p>I recomputed the calculation of valuation of investments in freehold and leasehold properties based on the expected future cash flows received from freehold and leasehold properties discounted with the market rate to check the accuracy of data captured in the accounting records.</p> <p>As a result of all the above procedures performed, I viewed that Management Company judgements and estimates in relation to the valuation of investment in properties were properly applied within an acceptable range of reasonable estimates.</p>

Other information

The Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon.

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the Management Company.

Responsibilities of the Management Company for the financial statements

The Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the Management Company determine 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 Management Company 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 the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company 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 Management Company 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 Management Company 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 Management Company, I determine those 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.

PricewaterhouseCoopers ABAS Ltd.

Unakorn Phruithithada
Certified Public Accountant (Thailand) No. 3257
Bangkok
27 April 2017

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Statement of Assets and Liabilities
As at 28 February 2017

	<u>Notes</u>	<u>28 February 2017 Baht</u>	<u>29 February 2016 Baht</u>
Assets			
Investments at fair value (at cost, 2017: Baht 28,475 million 2016: Baht 28,252 million)	6, 19	29,839,087,583	28,979,003,003
Cash and cash equivalents	7	584,953,668	618,701,829
Rental receivables, net	8,14	455,853,261	412,592,249
Deferred expenses	9	28,194,570	32,091,492
Other assets		1,363,086	1,197,047
Total assets		<u>30,909,452,168</u>	<u>30,043,585,620</u>
Liabilities			
Other accounts payable	14	49,743,333	54,185,381
Rental income received in advance		99,082,513	68,434,308
Deposits received from customers		297,074,895	287,290,134
Accrued expenses	14	284,269,423	278,812,602
Withholding tax payable		1,160,275	1,053,696
Borrowing	10	2,591,256,415	2,591,256,415
Total liabilities		<u>3,322,586,854</u>	<u>3,281,032,536</u>
Net assets		<u>27,586,865,314</u>	<u>26,762,553,084</u>
Net assets represented by			
Capital received from unitholders	11	25,493,674,665	25,493,674,665
Retained earnings	11	2,093,190,649	1,268,878,419
Net assets		<u>27,586,865,314</u>	<u>26,762,553,084</u>
Net assets value per unit (Baht)		11.8029	11.4502
Number of units outstanding at the end of the year (units)	11	2,337,282,928	2,337,282,928

(Piraj Migasena)
Executive Vice President
Date _____

(Sunee Naewphanich)
Vice President
Date _____

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments						
Investments in properties						
Ownership on lands and buildings						
1. Srinakarin Project						
<u>Location</u> No.9 Moo 6, Bangmuangmai Sub-district Muang District, Samutprakarn						
- Ownership on land of 48-1-74 rai	817,369			817,369		
- Ownership of shopping mall buildings, component buildings and utility system	2,180,223			2,180,223		
- Ownership of furniture and fixtures, and equipments used in operation	14,742			14,742		
- Related cost on acquisition	3,347			3,347		
- Renovation cost	101,368			98,353		
	<u>3,117,049</u>	<u>3,770,705</u>	<u>13</u>	<u>3,114,034</u>	<u>3,695,717</u>	<u>13</u>
2. Krabi Project						
<u>Location</u> No.191 Moo 12, Krabi Noi Sub-district Muang District, Krabi						
- Ownership on land of 30-1-52 rai	185,030			185,030		
- Ownership of shopping mall buildings, component buildings and utility system	1,324,960			1,324,960		
- Ownership of furniture and fixtures, and equipments used in operation	7,491			7,491		
- Related cost on acquisition	2,307			2,307		
- Renovation cost	8,629			7,801		
	<u>1,528,417</u>	<u>1,718,488</u>	<u>6</u>	<u>1,527,589</u>	<u>1,684,000</u>	<u>6</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
3. Prachachuen Project						
<u>Location</u> No.829, Pracharat 2 Road Bangsue District, Bangkok						
- Ownership on land of 15-0-1 rai	513,680			513,680		
- Ownership of shopping mall buildings, component buildings and utility system	991,934			991,934		
- Ownership of furniture and fixtures, and equipments used in operation	4,995			4,995		
- Related cost on acquisition	2,643			2,643		
- Renovation cost	13,841			12,370		
	<u>1,527,093</u>	<u>1,510,361</u>	<u>5</u>	<u>1,525,622</u>	<u>1,475,301</u>	<u>5</u>
4. Rangsit Klong 7 Project						
<u>Location</u> No. 41/2, Lumpakkood Sub-district Thanyaburi District, Pathumthani						
- Ownership on land of 144-1-71 rai	394,554			394,554		
- Ownership of shopping mall buildings, component buildings and utility system	657,856			657,856		
- Ownership of furniture and fixtures, and equipments used in operation	4,429			4,429		
- Related cost on acquisition	1,769			1,769		
- Renovation cost	9,143			8,720		
	<u>1,067,751</u>	<u>1,177,393</u>	<u>4</u>	<u>1,067,328</u>	<u>1,043,000</u>	<u>4</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
5. Tung Song Project						
<u>Location</u> No.144 Moo 2, Nonghong Sub-district						
Tung Song District, Nakorn Srithammarat						
- Ownership on land of 30-2-86 rai	177,201			177,201		
- Ownership of shopping mall buildings, component buildings and utility system	708,582			708,582		
- Ownership of furniture and fixtures, and equipments used in operation	4,565			4,565		
- Related cost on acquisition	1,250			1,250		
- Renovation cost	5,594			4,303		
	<u>897,192</u>	<u>862,128</u>	<u>3</u>	<u>895,901</u>	<u>854,929</u>	<u>3</u>
6. Singburi Project						
<u>Location</u> No.189 Moo 7, Bangnga Sub-district						
Thawung District, Singburi						
- Ownership on land of 24-2-9 rai	123,964			123,964		
- Ownership of shopping mall buildings, component buildings and utility system	605,034			605,034		
- Ownership of furniture and fixtures, and equipments used in operation	5,168			5,168		
- Related cost on acquisition	1,416			1,416		
- Renovation cost	5,453			4,369		
	<u>741,035</u>	<u>777,336</u>	<u>3</u>	<u>739,951</u>	<u>748,000</u>	<u>3</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
7. Pranburi project						
<u>Location</u> No.706 Moo 7, Kao-noi Sub-district Pranburi District, Prajuabkirikun						
- Ownership on land of 22-3-59 rai	96,401			96,401		
- Ownership of shopping mall buildings, component buildings and utility system	619,247			619,247		
- Ownership of furniture and fixtures, and equipments used in operation	4,057			4,057		
- Related cost on acquisition	1,051			1,051		
- Renovation cost	2,093			2,018		
	<u>722,849</u>	<u>795,023</u>	<u>3</u>	<u>722,774</u>	<u>738,048</u>	<u>3</u>
8. Mahachai Project						
<u>Location</u> No.119 Moo7, Tasai Sub-district Muang District, Samutsakorn						
- Ownership on land of 20-3-71 rai	159,585			159,585		
- Ownership of shopping mall buildings, component buildings and utility system	433,740			433,740		
- Ownership of furniture and fixtures, and equipments used in operation	6,276			6,276		
- Related cost on acquisition	1,712			1,712		
- Renovation cost	10,626			8,225		
	<u>611,939</u>	<u>757,393</u>	<u>3</u>	<u>609,538</u>	<u>714,230</u>	<u>2</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
9. Maesai Project						
<u>Location</u> No.156 Moo 6, Weangpang Kham Sub-district Maesai District, Chiangrai						
- Ownership on land of 32-3-0 rai	184,653			184,653		
- Ownership of shopping mall buildings, component buildings and utility system	391,330			391,330		
- Ownership of furniture and fixtures, and equipments used in operation	3,937			3,937		
- Related cost on acquisition	1,448			1,448		
- Renovation cost	11,088			10,654		
	<u>592,456</u>	<u>707,000</u>	<u>2</u>	<u>592,022</u>	<u>683,108</u>	<u>2</u>
10. Ranong Project						
<u>Location</u> No.25/15 Moo 1, Petchkasem Road Bangruen Sub-district, Muang District, Ranong						
- Ownership on land of 26-0-51 rai	99,992			99,992		
- Ownership of shopping mall buildings, component buildings and utility system	454,400			454,400		
- Ownership of furniture and fixtures, and equipments used in operation	5,045			5,045		
- Related cost on acquisition	973			973		
- Renovation cost	7,841			6,804		
	<u>568,251</u>	<u>597,574</u>	<u>2</u>	<u>567,214</u>	<u>614,300</u>	<u>2</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
11. Phuket Project						
<u>Location</u> No.104 Moo 5, Chaloe Phrakiat Ratchakarn Thi 9 Road Ratsada Sub-district, Muang Phuket District, Phuket						
- Ownership on land of 44-2-0 rai	314,379			314,379		
- Ownership of shopping mall buildings, component buildings and utility system	2,550,910			2,550,910		
- Ownership of furniture and fixtures, and equipments used in operation	9,642			9,642		
- Related cost on acquisition	4,322			4,322		
- Renovation cost	98,410			96,291		
	<u>2,977,663</u>	<u>2,959,076</u>	<u>10</u>	<u>2,975,544</u>	<u>2,946,584</u>	<u>10</u>
12. Salaya Project						
<u>Location</u> No.99/14 Moo 1, Bangtoey Sub-district Sam Phran District, Nakornpathom						
- Ownership on land of 38-3-99 rai	345,883			345,883		
- Ownership of shopping mall buildings, component buildings and utility system	1,402,608			1,402,608		
- Ownership of furniture and fixtures, and equipments used in operation	8,580			8,580		
- Related cost on acquisition	22,734			22,734		
- Renovation cost	41,582			41,420		
	<u>1,821,387</u>	<u>2,131,117</u>	<u>7</u>	<u>1,821,225</u>	<u>2,015,583</u>	<u>7</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on lands and buildings (Cont'd)						
13. Nakornsrihammarat Project						
<u>Location</u> No.15, Pattanakarn-Khukhwang Road Naimueng Sub-district, Mueng District, Nakornsrihammarat						
- Ownership on land of 26-0-34 rai	195,037			195,037		
- Ownership of shopping mall buildings, component buildings and utility system	971,550			971,550		
- Ownership of furniture and fixtures, and equipments used in operation	9,964			9,964		
- Related cost on acquisition	2,900			2,900		
- Renovation cost	65,976			65,411		
	<u>1,245,427</u>	<u>1,306,558</u>	<u>4</u>	<u>1,244,862</u>	<u>1,226,274</u>	<u>4</u>
14. Navanakorn Project						
<u>Location</u> Navanakorn Industrial Promotion Zone at 98/103 Moo13, Klong 1 Sub-District, Klong Luang District, Pathumthani Province, Thailand						
- Ownership on land of 31-0-5 rai	701,484			701,484		
- Ownership of shopping mall buildings, component buildings and utility system	1,522,719			1,522,719		
- Ownership of furniture and fixtures, and equipments used in operation	23,322			23,322		
- Related cost on acquisition	39,201			39,201		
- Renovation cost	6,369			5,294		
	<u>2,293,095</u>	<u>2,292,979</u>	<u>8</u>	<u>2,292,020</u>	<u>2,233,489</u>	<u>8</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Ownership on partial lands, ownership on buildings, and leasehold right on partial land						
1. Samui Project						
<u>Location</u> No.1/7 Moo 6, Bo Phut Sub-district Koh Samui District, Surat Thani						
- Rental period from 14 March 2012 - 29 August 2035						
	95,356			95,356		
- Ownership on land of 22-1-52 rai	66,991			66,991		
- Leasehold right on land of 24-3-78 rai						
- Ownership of shopping mall buildings, component buildings and utility system	1,048,229			1,048,229		
- Ownership of furniture and fixtures, and equipments used in operation	6,338			6,338		
- Related cost on acquisition	5,221			5,221		
- Renovation cost	18,939			15,835		
	<u>1,241,074</u>	<u>1,083,746</u>	<u>3</u>	<u>1,237,970</u>	<u>1,193,771</u>	<u>4</u>
2. Pitsanulok Project						
<u>Location</u> No.909 Moo 3, Aranyik Sub-district Mueng Pitsanulok						
- Rental period from 14 March 2012 - 29 August 2035						
	260,211			260,211		
- Ownership on land of 30-0-71 rai	2,025			2,025		
- Leasehold right on land of 0-2-60 rai						
- Ownership of shopping mall buildings, component buildings and utility system	837,028			837,028		
- Ownership of furniture and fixtures, and equipments used in operation	8,327			8,327		
- Related cost on acquisition	2,286			2,286		
- Renovation cost	91,739			91,104		
	<u>1,201,616</u>	<u>1,006,314</u>	<u>3</u>	<u>1,200,981</u>	<u>960,814</u>	<u>3</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Leasehold right on lands and ownership on buildings						
1. Amatanakorn Project						
<u>Location</u> No.700/75 Moo 5, Klongtamru Sub-district Muang District, Chonburi						
- Rental period from 14 March 2012 - 20 October 2039						
- Leasehold right on land of 45-1-36 rai	117,598			117,598		
- Ownership of shopping mall buildings, component buildings and utility system	1,401,301			1,401,301		
- Ownership of furniture and fixtures, and equipments used in operation	2,721			2,721		
- Related cost on acquisition	4,687			4,687		
- Renovation cost	11,060			9,348		
	<u>1,537,367</u>	<u>1,806,156</u>	<u>6</u>	<u>1,535,655</u>	<u>1,741,732</u>	<u>6</u>
2. Petchaboon Project						
<u>Location</u> No.929 Moo 2, Sa-Deang Sub-district Muang Petchaboon						
- Rental period from 14 March 2012 - 8 February 2038						
- Leasehold right on land of 43-2-5 rai	52,219			52,219		
- Ownership of shopping mall buildings, component buildings and utility system	645,149			645,149		
- Ownership of furniture and fixtures, and equipments used in operation	5,389			5,389		
- Related cost on acquisition	3,294			3,294		
- Renovation cost	6,728			5,785		
	<u>712,779</u>	<u>760,513</u>	<u>3</u>	<u>711,836</u>	<u>735,957</u>	<u>3</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Leasehold right on lands and ownership on buildings (Cont'd)						
3. Lumlukka Klong 6 Project						
<u>Location</u> No.75 Moo 5, Bungkumploy Sub-district Lumlukka District, Pathumthani						
- Rental period from 14 March 2012 - 14 May 2037						
- Leasehold right on land of 33-1-0 rai	57,443			57,443		
- Ownership of shopping mall buildings, component buildings and utility system	453,030			453,030		
- Ownership of furniture and fixtures, and equipments used in operation	5,818			5,818		
- Related cost on acquisition	3,354			3,354		
- Renovation cost	5,559			4,446		
	<u>525,204</u>	<u>559,393</u>	<u>2</u>	<u>524,091</u>	<u>547,764</u>	<u>2</u>
4. Sena Project						
<u>Location</u> No.49 Moo 1, Highway No.3263 Bangnomko Sub-district, Sena District Ayutthaya						
- Rental period from 14 March 2012 - 3 April 2038						
- Leasehold right on land of 24-2-96 rai	29,665			29,665		
- Ownership of shopping mall buildings, component buildings and utility system	359,073			359,073		
- Ownership of furniture and fixtures, and equipments used in operation	3,487			3,487		
- Related cost on acquisition	1,450			1,450		
- Renovation cost	2,669			2,380		
	<u>396,344</u>	<u>340,289</u>	<u>1</u>	<u>396,055</u>	<u>366,000</u>	<u>1</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Leasehold right on lands and ownership on buildings (Cont'd)						
5. Bangpoo Project						
<u>Location</u> No.2502 Moo 3, Sukhumvit Road, Bangpoo-mai Sub-district, Mueng Samutprakarn District, Samutprakarn						
- Rental period from 4 December 2012 - 4 October 2038						
- Leasehold right on land of 55-0-80 rai	69,270			69,270		
- Ownership of shopping mall buildings, component buildings and utility system	569,726			569,726		
- Ownership of furniture and fixtures, and equipments used in operation	4,820			4,820		
- Related cost on acquisition	6,509			6,509		
- Renovation cost	2,658			2,443		
	<u>652,983</u>	<u>725,194</u>	<u>2</u>	<u>652,768</u>	<u>712,267</u>	<u>2</u>
6. Rangsit-Nakornnayok Project						
<u>Location</u> No.90 Moo 2, Rangsit-Nakornnayok Road, Buen Yitoe Sub-district, Thanyaburi District, Phatumthani						
- Rental period from 4 December 2012 - 6 September 2036						
- Leasehold right on land of 33-2-0 rai	120,251			120,251		
- Ownership of shopping mall buildings, component buildings and utility system	524,487			524,487		
- Ownership of furniture and fixtures, and equipments used in operation	8,091			8,091		
- Related cost on acquisition	10,059			10,059		
- Renovation cost	5,862			4,444		
	<u>668,750</u>	<u>669,978</u>	<u>2</u>	<u>667,332</u>	<u>685,471</u>	<u>2</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 28 February 2017

	28 February 2017			29 February 2016		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
Type of investments (Cont'd)						
Investments in properties (Cont'd)						
Leasehold right on land and buildings						
1. Rama I Project						
<u>Location</u> No.831 Rama I Road, Wangmai Sub-district Pathumwan District, Bangkok						
- Rental period from 15 March 2012 - 11 December 2034						
- Leasehold right on land of 12-2-57 rai and shopping mall buildings, component buildings and utility system	1,026,213			1,026,213		
- Ownership of furniture and fixtures, and equipments used in operation	68,969			68,969		
- Related cost on acquisition	10,784			10,784		
- Renovation cost	54,652			53,951		
	<u>1,160,618</u>	<u>856,255</u>	<u>3</u>	<u>1,159,917</u>	<u>892,438</u>	<u>3</u>
Total investments in properties	<u>27,808,339</u>	<u>29,170,969</u>	<u>98</u>	<u>27,782,229</u>	<u>28,508,777</u>	<u>98</u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund

Details of Investments (Cont'd)

As at 28 February 2017

	28 February 2017				29 February 2016			
	Cost Baht'000	Fair value Baht'000	% of fair value	Maturity	Cost Baht'000	Fair value Baht'000	% of fair value	Maturity
Type of investments (Cont'd)								
Investments in securities								
Government bonds								
Bank of Thailand: BOT 59/2/89D					108,628	108,824	-	12 April 2016
Bank of Thailand: BOT 58/49/90D					82,695	82,969	-	10 March 2016
Bank of Thailand: BOT 59/1/91D					113,602	113,837	1	7 April 2016
Bank of Thailand: BOT 59/5/90D					164,426	164,596	1	4 May 2016
Bank of Thailand: BOT 16/43/182D	199,502	199,570	1	27 April 2017				
Bank of Thailand: BOT 16/48/91D	219,179	219,991	1	2 March 2017				
Bank of Thailand: BOT 16/49/91D	108,593	108,964	-	9 March 2017				
Bank of Thailand: BOT 17/5/91D	59,788	59,855	-	4 May 2017				
Bank of Thailand: BOT 17/8/91D	79,719	79,739	-	25 May 2017				
Total investments in securities	666,781	668,119	2		469,351	470,226	2	
Total investments	28,475,120	29,839,088	100		28,251,580	28,979,003	100	

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Statement of Operations
For the year ended 28 February 2017

	Notes	28 February 2017 Baht	29 February 2016 Baht
Investment income			
Rental and service income	14	2,933,628,126	2,846,472,181
Interest income		13,592,458	13,825,869
Other income		1,536,432	2,018,084
Total income		2,948,757,016	2,862,316,134
Expenses			
Management fee	13, 14	15,738,933	15,669,382
Trustee fee	13	2,898,933	2,829,382
Registrar fee	13, 14	4,348,399	4,244,072
Property management fees	13, 14	256,206,844	254,227,736
Professional fee		1,599,903	1,514,800
Operating expenses	13	330,917,470	365,474,346
Amortisation of deferred-setup fund expenses		-	59,249,071
Ground lease payment		49,360,664	47,901,334
Other expenses	13	5,411,363	7,635,913
Total expenses		666,482,509	758,746,036
Net investment income before financial expenses		2,282,274,507	2,103,570,098
Financial expenses			
Interest expenses		76,966,682	81,798,824
Net investment income		2,205,307,825	2,021,771,274
Net gain from investments			
Net unrealised gain from investments valuation	6, 19	636,547,034	444,489,703
Total net gain from investments		636,547,034	444,489,703
Increase in net assets from operations		2,841,854,859	2,466,260,977

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Statement of Changes in Net Assets
For the year ended 28 February 2017

	Notes	28 February 2017 Baht	29 February 2016 Baht
Increase in net assets from operation during the year			
Net investment income		2,205,307,825	2,021,771,274
Net unrealised gain from investments valuation		<u>636,547,034</u>	<u>444,489,703</u>
Net increase in net assets from operations		2,841,854,859	2,466,260,977
Dividend payment	11, 12	(2,017,542,629)	(1,901,847,125)
Decrease in capital paid to unitholders			
Reduction of capital			
2,337,282,928 units at Baht 0.0331 each	11	<u>-</u>	<u>(77,364,066)</u>
Increase in net assets during the year		824,312,230	487,049,786
Net assets at the beginning of the year		<u>26,762,553,084</u>	<u>26,275,503,298</u>
Net assets at the end of the year		<u><u>27,586,865,314</u></u>	<u><u>26,762,553,084</u></u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Statement of Cash Flows
For the year ended 28 February 2017

	28 February	29 February
	2017	2016
Notes	Baht	Baht
Cash flows from operating activities		
Increase in net assets from operations	2,841,854,859	2,466,260,977
Adjustments to reconcile net increase in net assets from operations to net cash provided by (used in) operating activities:		
Purchase of investments in properties	(26,108,476)	(20,928,239)
Purchases of investments in securities	(2,382,241,869)	(3,112,715,428)
Disposal of investments in securities	2,191,000,000	3,120,000,000
Increase in rental receivables	(44,679,090)	(37,995,476)
Decrease in deferred expenses	3,896,922	61,613,585
Decrease in other assets	-	464,916
Decrease in other accounts payable	(4,442,048)	(67,495,672)
Increase in rental income received in advance	30,648,205	6,991,783
Increase in deposits received from customers	9,784,761	21,180,414
Increase in accrued expenses	5,507,936	10,910,162
Increase (decrease) in withholding tax payable	106,579	(13,472)
Interest income	(13,592,458)	(13,825,869)
Bad debt expense	1,418,078	3,190,214
Interest expenses	76,966,682	81,798,824
Interest received	7,239,217	6,435,937
Net unrealised gain from investment valuation	(636,547,034)	(444,489,703)
Net cash provided by operating activities	<u>2,060,812,264</u>	<u>2,081,382,953</u>
Cash flows from financing activities		
Dividend payment	11, 12 (2,017,542,629)	(1,901,847,125)
Reduction of the capital	11 -	(77,364,066)
Interest paid	(77,017,796)	(82,598,209)
Net cash used in financing activities	<u>(2,094,560,425)</u>	<u>(2,061,809,400)</u>
Net increase in cash and cash equivalents	(33,748,161)	19,573,553
Cash and cash equivalents at the beginning of the year	<u>618,701,829</u>	<u>599,128,276</u>
Cash and cash equivalents at the end of the year	<u><u>584,953,668</u></u>	<u><u>618,701,829</u></u>

The notes to the financial statements are an integral part of these financial statements.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Significant Financial Information and Ratios
For the year ended 28 February 2017

	28 February 2017 Baht	29 February 2016 Baht	28 February 2015 Baht	28 February 2014 Baht	For the period from 13 March 2012 to 28 February 2013 Baht
Information on operating results (per unit)					
Net asset value at the beginning of the year	11.4502	11.2419	11.2514	11.2605	-
<u>Add</u> Capital from unitholders	-	-	-	-	11.1039
Income from investing activities:					
Net investment income	0.9435	0.8650	0.7434	0.6965	0.6457
Net unrealised gain from investments valuation	0.2724	0.1902	0.0597	0.0572	0.0051
Net realised gain from sale of investments	-	-	-	-	0.0010
<u>Less</u> Reduction of the capital	-	(0.0332)	(0.0650)	(0.0711)	(0.0360)
Dividend payment	(0.8632)	(0.8137)	(0.7476)	(0.6917)	(0.4592)
Net asset value at the end of year	<u>11.8029</u>	<u>11.4502</u>	<u>11.2419</u>	<u>11.2514</u>	<u>11.2605</u>
Ratio of net profit to average net asset value during the year (%)	10.49	9.33	7.15	6.70	6.05
Significant financial ratios and additional significant information					
Net asset value at the end of the year (Baht'000)	27,586,865	26,762,553	26,275,503	26,297,919	26,319,122
Ratio of total expenses to average net assets during the year (%)	2.46	2.87	3.55	3.11	2.81
Ratio of investment income to average net asset value during the year (%)	10.88	10.83	10.49	9.33	8.80
Ratio of weighted average investment purchases and sales during the year to average net asset value during the year (%)*	16.98	23.65	21.20	9.63	119.99
Average net asset value during the year (Baht'000)	27,090,911	26,440,923	26,263,661	26,284,745	20,535,598

Additional information

*

The value of investment purchases and sales during the year does not include cash at bank, investment in promissory note and investments bought/sold under a resale/repurchase agreement, and is calculated by a weighted average basis over the accounting year.

The notes to the financial statements are an integral part of these financial statements.

1. Business nature of Tesco Lotus Retail Growth Freehold and Leasehold Property Fund

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund (“the Fund”) is a closed-end retail growth freehold and leasehold property fund, and was set up for a specific purpose. The Fund was established and registered as a fund on 13 March 2012 with no project life stipulated. The Fund’s objective is being to seek funds from investors, invest mostly in property or property leasehold rights and generate benefit from such property.

On 15 March 2012 the Stock Exchange of Thailand has approved the listing of the Fund’s units and permitted their trading on 19 March 2012.

As at 28 February 2017, the major unitholder is Ek-Chai Distribution System Company Limited which holds 25% of the Fund’s units.

The Fund is managed by Krung Thai Asset Management Public Company Limited (“the Management Company”). Hong Kong and Shanghai Banking Corporation Limited has been appointed to be the Trustee and Ek-Chai Distribution System Company Limited acts as the Property Manager.

These financial statements have been approved by the management of the Management Company on 27 April 2017.

2. Accounting policies

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

2.1 Basis of preparation

These 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 (“TFRS”) issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. In addition, the financial statements have been prepared under the basis and format as required by the Thai Accounting Standard No.106 “Accounting for Investment Companies. The primary financial statements (i.e. statement of assets and liabilities, details of investment, statements of operations, changes in net assets, cash flows and significant financial information and ratios) are prepared in the full format as required by the Securities and Exchange Commission.

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

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The area involving a higher degree of judgment or complexity, or area where assumption 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 New/revised financial reporting standards, and related interpretations

2.2.1 New/revised financial reporting standards and interpretations are effective on 1 January 2016.

- a) Revised financial reporting standards which are relevant and have a significant impact to the Fund:

TAS 24 (revised 2015)	Related party disclosures
TAS 40 (revised 2015)	Investment property
TFRS 13 (revised 2015)	Fair value measurement

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The Fund's management assessed that this standard has no significant impact to the Fund's financial information, except for disclosures which has been disclosed in Note 14.

TAS 40 (revised 2015), 'Investment property' clarifies that TFRS 3 should be applied when determining whether an acquisition of an investment property is a business combination. The Fund's management assessed that this standard has no significant impact to the Fund's financial information.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or TFRS 9 (when announced). The Fund's management assessed that this standard has no significant impact to the Fund's financial information.

- b) There are 40 financial reporting standards with minor changes. The Fund's management assesses that they do not have an impact on the Fund's financial information

2. Accounting policies (Cont'd)

2.2 New/revised financial reporting standards, and related interpretations (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. The Fund has not yet early adopted these revised standards.

- a) Revised financial reporting standard which is relevant and has a significant impact to the Fund:

TAS 1 (revised 2016) Presentation of financial statements

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

The Fund's management has assessed and considered that the above revised standard will not have a material impact on the Fund's financial information.

- b) There are 47 financial reporting standards with minor changes. The Fund's financial information management assesses that they do not have an impact on the Fund's financial information

2.3 Cash and cash equivalents

Cash and cash equivalents include savings and current account deposits with banks. The Fund defines cash equivalents as deposits with financial institutions with an original maturity of three months or less from the date of acquisition.

2. Accounting policies (Cont'd)

2.4 Investments

Property investments

Investments in properties, comprised of investment in freehold and leasehold properties include lands, buildings and infrastructures related to shopping mall, are stated at fair value with no depreciation charge. The initial costs of properties have been stated at their assumed acquisition price plus associated costs.

The fair value is based on the appraisal value determined by the independent professional appraisers licensed by the Securities and Exchange Commission Thailand ("the Thai SEC"). The Fund will conduct an appraisal of the properties every two years from the date of the appraisal for the purchase or lease of the properties or when there are changes that materially affect the value of such investment properties and will update appraisals with a review every year after the date of the latest appraisal as required by the Thai SEC.

A change in the fair value of investment property will be recognised in the statement of operations as an unrealised gain or loss as of measurement date.

Investments in securities

The fair value of bonds with the maturity dates less than 90 days are calculated from the yield-rate quoted on The Thai Bonds Market Association for the securities that have 90 days maturity leftover or the yield-rate from the acquisition of securities that have a maturity within 90 days from the date of investment if financial position of issuer or market condition do not change significantly.

Unrealised gains or losses from investment valuation are recognised in the statement of operations as of measurement date.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of operations. When disposing of part of a particular investment in debt securities in the same category that the fund holds, the carrying amount of the disposed part is determined by the weight average carrying amount of the total holding of the investment.

2.5 Rental receivables

Rental receivables are initially recognised at the fair value of the consideration received or receivable 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 the statement of operations.

2.6 Deferred expenses

Deferred expenses comprise the capital unit issuance costs, costs related to borrowings, registration fees and other directly related expenses as incurred. Deferred expenses are amortised as an expense over a period of 3-4 years on a straight line basis.

2. Accounting policies (Cont'd)

2.7 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method.

2.8 Revenue recognition

Rental and service income and interest income are recognised on an accrual basis.

2.9 Expenses

Expenses are recognised on an accrual basis.

2.10 Income taxes

The Fund is exempted from corporate income taxes in Thailand.

3. Dividend payment policy

Dividend payment

The Management Company will consider to pay dividends to unitholder no more than 4 times annually, provided that:

- 1) If the Fund has net profits in each year, the Management Company shall pay not less than 90% (or any other percentage as may be permitted by the Securities Law from time to time) of the net profit of the year as dividends to unitholder.
- 2) If the Fund has accumulated profits, the Management Company may pay dividend to unitholder out of the accumulated profits.

Such net profit and accumulated profits shall be as actually derived and shall not include the following:

- 1) Unrealised gain from the appraisal or review of properties, leasehold rights, investments in securities and/or assets of the Fund in the given accounting period.
- 2) The payment of dividends under 1) shall not increase the Fund's accumulated losses for the accounting period in which the dividends are paid.

In considering the payment of dividends, if the value of interim dividends per investment unit to be paid is lower than or equal to Baht 0.10, the Management Company reserves the right not to pay dividends at that time and to bring such dividends forward for payment together with the payment of annual dividend.

3. Dividend payment policy

Dividend payment (Cont'd)

Conditions and criteria for paying dividends to unitholder can be summarised as follows:

- 1) In the event that any one person or a group of persons holds more than one-third of the Fund total investment units sold, the Management Company shall not pay dividend to the said person or the group of persons for the portion exceeding one-third of the total investment units sold, or for the portion exceeding 50 percent of total number of investment units sold if such person or the group of persons are those whom specified by the Thai SEC except where the Thai SEC or any related agency will specify, order or exempt otherwise. In this case, the Management Company shall use the unpaid dividend for the Fund's benefit or in accordance with the notification of the Thai SEC.
- 2) In considering paying dividend to a group of persons holds more than one-third of the Fund total investment units sold, the number of investment units for which each investor in the said group is entitled to receive dividend shall be calculated on a pro rata basis of their unitholding, except where the Thai SEC or any related agency will specify, order or exempt otherwise.

On 13 May 2011, the Thai SEC approved the Fund to amend "procedure for handling dividends unpayable to unitholder" as follows:

The Management Company shall bequeath dividends unpaid to unitholder, if any, to the state as public revenue, and this shall be deemed to have been acknowledged and approved by all unitholders. Pending such process, the Management Company shall keep record of such dividends separated from the other assets of the Fund and not include such amount in the calculation of the Fund's net asset value.

Capital reduction

- 1) Where the Fund has excess liquidity resulting from one or more of the following:
 - a) The disposal of the real estate or the leasehold rights and/or
 - b) The value of the real estate or the leasehold rights decreases from the appraised value or from the reviewed appraisal value, and/or
 - c) From gradually amortised deferred charge.

The Management Company may pay the excess liquidity to the unitholder by reducing the registered capital of the Fund after adding back the excess liquidity due to amortisation of issuance cost and ground lease and deducting rental and service income which has not been received in cash.

- 2) The Management Company reserves the right to reduce the registered capital of the Fund at its discretion.

4. Critical accounting estimates and judgements

Estimate and judgements 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.

Fair value of investments in properties

The fair value of investments in properties that are not traded in an active market is determined by using discounted expected future cash flows received from investments in properties by the appropriate discount rate which reflect related risks. The Fund engages independence appraiser to assess the fair value of properties and disclosed the fair value measurement in Note 19.

5. Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholder 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 Fund may adjust the amount of dividends paid to unitholder, return capital to unitholder, issue new shares or sell assets to reduce debt, if any.

6. Investment at fair value

Movement in investments at fair value are summarised as follow:

	Investments in properties Baht'000	Investments in securities Baht'000	Total Baht'000
As at 28 February 2015	28,042,504	470,686	28,513,190
<u>Add</u> Purchase of investments	-	3,112,716	3,112,716
Renovations	20,928	-	20,928
<u>Less</u> Maturity	-	(3,112,321)	(3,112,321)
<u>Add</u> Unrealised gain (loss) from valuation	445,345	(855)	444,490
As at 29 February 2016	28,508,777	470,226	28,979,003
<u>Add</u> Purchase of investments	-	2,382,242	2,382,242
Renovations	26,109	-	26,109
<u>Less</u> Maturity	-	(2,184,813)	(2,184,813)
<u>Add</u> Unrealised gain from valuation	636,083	464	636,547
As at 28 February 2017	<u>29,170,969</u>	<u>668,119</u>	<u>29,839,088</u>

As at 29 February 2017, total cost of investment in properties is Bath 27,808 million (2016: Bath 27,782 million) and total fair value of investment in property is Bath 29,171 million (2016: Bath 28,509 million).

6. Investment at fair value (Cont'd)

Investments in properties

For the year ended 28 February 2017

On 31 August 2016, the Fund engaged an independent valuer to assess the fair value of the investments in properties for 6 projects which are 1) Phuket Project, 2) Salaya Project, 3) Nakornsrihammarat Project, 4) Bangpoo Project, 5) Rangsit Nakornnayok Project and 6) Navanakorn project. The Fund acquired first five projects on 3 December 2012 and Navanakorn project on 24 January 2014.

The independent valuer applied the Income Approach. The result revealed that the fair value of the investments in properties for those 6 projects which had carrying value at Baht 9,821 million was Baht 10,081 million. The unrealised gain from the assessment amounting to Baht 260 million was recorded in the statement of operations on 31 August 2016. The Fund's management has assessed that the fair value as at 28 February 2017 is not significantly different from the fair value on appraisal date.

Subsequently, on 4 December 2016, the Fund engaged an independent valuer to assess the fair value of the investments in properties for 17 projects which are 1) Srinakarin Project, 2) Krabi Project, 3) Prachachuen Project, 4) Rangsit Klong 7 Project, 5) Tung Song Project, 6) Singburi Project, 7) Pranburi Project, 8) Mahachai Project, 9) Maesai Project, 10) Ranong Project, 11) Samui Project, 12) Pitsanulok Project, 13) Amatanakorn Project, 14) Petchaboon Project, 15) Lumlukka Klong 6 Project, 16) Sena Project, and 17) Rama I Project. The Fund acquired such projects on 14 March 2012.

The independent valuer applied the Income Approach. The result revealed that the fair value of the investments in properties for those 17 projects which had carrying value at Baht 18,702 million was Baht 19,078 million. The unrealised gain from the assessment amounting to Baht 376 million was recorded in the statement of operations on 4 December 2016. The Fund's management has assessed that the fair value as at 28 February 2017 is not significantly different from the fair value on appraisal date.

For the year ended 29 February 2016

On 1 August 2015, the Fund engaged an independent valuer to assess the fair value of the investments in properties for 6 projects which are 1) Phuket Project, 2) Salaya Project, 3) Nakornsrihammarat Project, 4) Bangpoo Project, 5) Rangsit Nakornnayok Project and 6) Navanakorn project. The Fund acquired first five projects on 3 December 2012 and Navanakorn project on 24 January 2014.

The independent valuer applied the Income Approach. The result revealed that the fair value of the investments in properties for those 6 projects which had carrying value at Baht 9,703 million was Baht 9,817 million. The unrealised gain from the assessment amounting to Baht 114 million was recorded in the statement of operations on 1 August 2015. The Fund's management has assessed that the fair value as at 29 February 2016 is not significantly different from the fair value on appraisal date.

Subsequently, on 4 December 2015, the Fund engaged an independent valuer to assess the fair value of the investments in properties for 17 projects which are 1) Srinakarin Project, 2) Krabi Project, 3) Prachachuen Project, 4) Rangsit Klong 7 Project, 5) Tung Song Project, 6) Singburi Project, 7) Pranburi Project, 8) Mahachai Project, 9) Maesai Project, 10) Ranong Project, 11) Samui Project, 12) Pitsanulok Project, 13) Amatanakorn Project, 14) Petchaboon Project, 15) Lumlukka Klong 6 Project, 16) Sena Project, and 17) Rama I Project. The Fund acquired such projects on 14 March 2012.

The independent valuer applied the Income Approach. The result revealed that the fair value of the investments in properties for those 17 projects which had carrying value at Baht 18,344 million was Baht 18,675 million. The unrealised gain from the assessment amounting to Baht 331 million was recorded in the statement of operations on 4 December 2015. The Fund's management has assessed that the fair value as at 29 February 2016 is not significantly different from the fair value on appraisal date.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Notes to the Financial Statements
For the year ended 28 February 2017

7. Cash and cash equivalents

As at 28 February 2017 and 29 February 2016, the Fund has the details of cash and cash equivalents as follows:

	28 February 2017		29 February 2016	
	Principal (Baht'000)	Interest rate per annum (%)	Principal (Baht'000)	Interest rate per annum (%)
Cash on hand and cash at bank				
Cash on hand	6,489	-	7,976	-
Hong Kong and Shanghai Banking Corporation Limited Saving account	82,438	0.55	76,797	0.55
Citibank N.A. Bangkok Branch Saving account	2,561	0.50	2,548	0.50
Kasikorn Bank Public Company Limited Current account	6,829	-	7,574	-
Siam Commercial Bank Public Company Limited Current account	58,867	-	56,789	-
Krung Thai Bank Public Company Limited Saving account	411	0.375	409	0.375
CIMB Thai Bank Public Company Limited Saving account	1	0.75	1	0.75
United Overseas Bank Saving account	427,358	0.98	466,608	1.00
	<u>584,954</u>		<u>618,702</u>	

8. Rental receivables, net

	28 February 2017 Baht'000	29 February 2016 Baht'000
Rental receivables	468,272	423,593
<u>Less</u> Allowance for doubtful debt	<u>(12,419)</u>	<u>(11,001)</u>
Rental receivables, net	<u>455,853</u>	<u>412,592</u>

9. Deferred expenses

Deferred expenses comprised of expenses as follows:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Deferred land rental expenses	25,449	26,356
Prepaid debt utilization fee	2,493	5,466
Other prepayments	253	269
Deferred expenses	<u>28,195</u>	<u>32,091</u>

Deferred setup fund expenses are amortised as expense over a period of 3 years on a straight-line basis, and were fully amortised since annual period ended 29 February 2016.

Prepaid debt utilisation fees are amortised as expense over a period of 4 years on a straight-line basis. Details movements are as follows:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Beginning of the year	5,466	8,447
Amortisation during the year	<u>(2,973)</u>	<u>(2,981)</u>
Ending of the year	<u>2,493</u>	<u>5,466</u>

10. Borrowing

Borrowing facilities:

As at 28 February 2017 and 29 February 2016, the Fund had a long-term borrowing with a financial institution amounting to Baht 2,591,256,415. There were no addition or repayment of borrowing during the year.

The Fund has the following undrawn committed borrowing facilities

	28 February 2017 Baht'000	29 February 2016 Baht'000
Floating rate	-	8,744

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Notes to the Financial Statements
For the year ended 28 February 2017

11. Unitholder' equity

Movements in capital account are as follows:

	Number of units	Value per unit Baht	Baht'000
Beginning balance as at 28 February 2015	2,337,282,928		25,571,039
Reduction of capital as of 19 May 2015	-	0.0172	(40,201)
Reduction of capital as of 18 August 2015	-	0.0062	(14,491)
Reduction of capital as of 17 November 2015	-	0.0082	(19,166)
Reduction of capital as of 16 February 2016	-	0.0015	(3,506)
Ending balance as at 29 February 2016	<u>2,337,282,928</u>		<u>25,493,675</u>
Ending balance as at 28 February 2017	<u>2,337,282,928</u>		<u>25,493,675</u>

Movements in retained earnings are as follows:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Beginning balance	1,268,878	704,465
<u>Add</u> Net investment income	2,205,308	2,021,771
Net unrealised gain from investments valuation	636,547	444,489
<u>Less</u> Dividend paid to unitholder (Note 12)	<u>(2,017,542)</u>	<u>(1,901,847)</u>
Ending balance	<u>2,093,191</u>	<u>1,268,878</u>

12. Dividend

The investment committee approved dividend as follows:

The details of dividends for the year ended 28 February 2017 are as followed:

No.	The operation for the year	Approved date	Unitholder register's book closed date	Payment date	Per unit Baht	Total Million Baht
1	1 December 2015 to 29 February 2016	11 April 2016	29 April 2016	18 May 2016	0.2190	512
2	1 March 2016 to 31 May 2016	15 July 2016	29 July 2016	15 August 2016	0.2176	508
3	1 June 2016 to 31 August 2016	14 October 2016	31 October 2016	14 November 2016	0.2157	504
4	1 September 2016 to 30 November 2016	17 January 2017	31 January 2017	16 February 2017	0.2109	493
						<u>2,017</u>

The details of dividends for the year ended 29 February 2016 are as followed:

No.	The operation for the year	Approved date	Unitholder register's book closed date	Payment date	Per unit Baht	Total Million Baht
1	1 December 2014 to 28 February 2015	10 April 2015	30 April 2015	18 May 2015	0.1811	423
2	1 March 2015 to 31 May 2015	17 July 2015	31 July 2015	17 August 2015	0.2060	482
3	1 June 2015 to 31 August 2015	16 October 2015	30 October 2015	16 November 2015	0.2090	488
4	1 September 2015 to 30 November 2015	15 January 2016	29 January 2016	15 February 2016	0.2176	509
						<u>1,902</u>

13. Expenses

The management fee, trustee fee, registrar fee and property management fee are calculated by the Management Company as follows:

Management fee

For the year ended 28 February 2017 and 29 February 2016, the Management Company is entitled to receive a monthly management fee from the Fund at a rate not exceeding 0.16% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net asset value of the Fund as calculated by the Management Company and verified by the Trustee.

Trustee fee

The Trustee is entitled to receive a monthly remuneration at a rate not exceeding 0.01% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net asset value of the Fund as calculated by the Management Company and verified by the Trustee. The foregoing does not include other expenses as actually incurred such as the expenses for the inspection of assets of the Fund.

Registrar fee

The fee for the Investment Unit Registrar shall be at a rate not exceeding 0.02% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net asset value of the Fund as calculated by the Management Company and verified by the Trustee.

Property management fees

Fees and expenses of the Property Manager shall be payable to the Property Manager on a monthly basis according to the Property Management Agreement between the Fund and the Property Manager. The details can be summarised as follows:

- 1) Fee for rental collection on behalf of the Fund at the rate not exceeding 3% of net property revenue.
- 2) Leasing commission for procuring tenants and management of all tenants of the Fund upon entering into new lease agreements with new tenants or renewal of lease agreements is calculated at the rate of 0.5 - 1.5 times of the monthly rental fees depending on the type and year (terms) of lease agreements.
- 3) Property management fee is calculated at the rate not exceeding 0.3% per annum of the net asset value of the Fund calculated as at the last day of previous month.
- 4) Incentive fee for the Property Manager is calculated at the rate of not exceeding 2.35% of net property income.

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Notes to the Financial Statements
For the year ended 28 February 2017

13. Expenses (Cont'd)

Operating expenses

Operating expense comprised of:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Cleaning, security & store used/supplies expense	99,466	98,998
Insurance expense	32,287	33,761
Repair and maintenance expense	30,927	29,365
Utilities expense	133,183	159,433
Sales promotion	17,578	18,652
Asset appraisal expense	1,915	2,054
Property tax	12,342	20,065
Annual inspection fee	3,219	3,146
Total	<u>330,917</u>	<u>365,474</u>

Other expenses

Other expenses comprised of:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Printing	57	-
Listing expense	107	107
Bank charge	69	65
Provision of doubtful accounts	1,418	3,190
Other expense	3,760	4,274
Total	<u>5,411</u>	<u>7,636</u>

14. 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 Fund, including holding entities, subsidiaries and fellow subsidiaries are related parties of the Fund. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Fund and close members of the family of these individuals and entities 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.

The relationship among major related parties can be summarised as follows:

- Ek-Chai Distribution System Company Limited is the Property Manager of the Fund.
- Krung Thai Asset Management Public Company Limited is the Management Company of the Fund.

14. Related party transactions (Cont'd)

The following significant transactions were carried out with related parties:

a) Statement of Operations

	28 February 2017 Baht'000	29 February 2016 Baht'000
The Property Manager:		
Rental income	782,437	787,364
Property management fees	256,207	254,228
The Management Company:		
Management fee	15,739	15,669
Registrar fee	4,348	4,244

b) Statement of Assets and Liabilities

	28 February 2017 Baht'000	29 February 2016 Baht'000
The Property Manager:		
Rental receivable	372,644	357,905
Other accounts payable	2,269	4,596
Accrued expenses	40,754	43,099
The Management Company:		
Accrued expenses	1,211	1,585

15. Financial risk management

As at 28 February 2017, the principal financial risks faced by the Fund are interest rate risk, credit risk and liquidity risk. The Fund has no currency risk because there is no transaction in foreign currency.

Interest rate risk

Interest rate risk is the risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments. The financial assets of the Fund that potentially subject to the interest rate risk is bonds and deposit with banks.

Credit risk

Credit risk is the risk that counterparties might not discharge their obligation causing the Fund to incur a financial loss. Credit risk arises from risk in the collectability of lease rental from counterparties.

The Fund has no significant concentrations of credit risk due to the Fund has a large number of tenants in various businesses. Additionally, the Fund has a policy to collect in advance rental deposits from customers as a collateral in case of default. The Management Company is of opinion that the Fund does not have credit risk other than that provided in the allowance for doubtful accounts as presented in the financial statements. The estimate for allowance for doubtful accounts encompasses consideration of past collection experiences, customers' deposits and other factors such as the local economic conditions.

15. Financial risk management (Cont'd)

Liquidity risk

To maintain liquidity of the Fund, the Fund has maintained sufficient cash and marketable securities.

Fair value

The carrying amounts of the Fund's financial assets and liabilities as at 28 February 2017 as presented in the financial statements approximate to their fair values.

16. Information regarding disposal and purchase of investments

During year ended 28 February 2017, the Fund has purchased and disposed investments amounting to Baht 4,599 million representing 16.98% of the weighted average net asset value during the year. (During year ended 29 February 2016, the Fund has purchased and disposed investments amounting to Baht 6,254 million representing 23.65% of the weighted average net asset value during the year.).

17. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as that makes strategic decisions.

The Fund operates in business which is the investment in property and the business is only operated in Thailand. Income and expenses from this segment are the same amount with the statement of income. Therefore, the presentation of segment information is not necessary.

18. Commitments

Operation lease commitments

As at 28 February 2017 and 29 February 2016, the Fund has long-term commitments in the respect of land and parking area rent. The future minimum lease payment commitments are as follows:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Up to 1 year	39,137	38,578
More than 1 year, but within 5 years	208,309	163,021
Over 5 years	708,091	783,923
	<u>955,537</u>	<u>985,522</u>

19. Fair value of financial instruments

The Fund uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Fund endeavours to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

- Level 1 - Use of quoted market prices in an observable 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

As of 28 February 2017 and 29 February 2016, the Fund had the following assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 28 February 2017				
Investment in properties	-	-	29,170,969	29,170,969
Investment in securities	-	668,119	-	668,119
Total	-	668,119	29,170,969	29,839,088

	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 29 February 2016				
Investment in properties	-	-	28,508,777	28,508,777
Investment in securities	-	470,226	-	470,226
Total	-	470,226	28,508,777	28,979,003

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

Valuation techniques and inputs to Level 2 and Level 3 valuations

- a) The fair value of investments in securities has been determined by using the yield curve as announced by the Thai Bond Market Association.
- b) The fair value of the investment properties has been determined based on the income approach by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The independent valuer reports directly to the Management Company. For financial reporting purpose, the Management Company reviews the valuation performed by the independent valuer. Review of valuation process and result is held between the Management Company and the Trustee in each accounting period, in line with the Fund's reporting dates.

19. Fair value of financial instruments (Cont'd)

The main information that the appraiser used for fair value assessment Level 3 such as discount rate was determined from business type, the location of project, generated cash flows, competitive market and risk-free return rate. The appraiser applied 10% - 11% of discounted cash flow for valued asset based on yield rate of government bond plus market, operational, and liquidity risk.

There were no changes to the valuation techniques during the year.

Sensitivity analysis for each significant assumptions

	Impact on fair value increase (decrease) 28 February 2017 Baht'000
Discount rate	
Discount rate, decrease of 0.50 percent	1,080,000
Discount rate, increase of 0.50 percent	(1,027,000)
Capitalisation rate	
Capitalisation rate, decrease of 0.50 percent	896,000
Capitalisation rate, increase of 0.50 percent	(772,000)
Rental growth rate	
Rental growth rate, decrease of 0.50 percent	(716,000)
Rental growth rate, increase of 0.50 percent	752,000

The movements in the fair value of financial instruments can be analysed as follows:

	28 February 2017 Baht'000	29 February 2016 Baht'000
Beginning balance of the year	28,979,003	28,513,190
Increase during the year	2,408,351	3,133,644
Decrease during the year	(2,184,813)	(3,112,321)
Net realised gain from investment valuation	636,547	444,490
Ending balance of the year	<u>29,839,088</u>	<u>28,979,003</u>

19. Fair value of financial instruments (Cont'd)

Fair value for liabilities for which the fair value is disclosed at reporting date

A summary of fair value hierarchy of liabilities not carried at fair value but for which the fair value is disclosed as at 28 February 2017 and 29 February 2016 is below:

	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 28 February 2017				
Borrowing	-	2,586,303	-	2,586,303
Total	-	2,586,303	-	2,586,303

	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 29 February 2016				
Borrowing	-	2,581,128	-	2,581,128
Total	-	2,581,128	-	2,581,128

The fair value of borrowing is determined by using the effective yield method, by referencing to Bangkok Interbank Offer Rate (BIBOR).

Other financial instruments not carried at fair value are typically short-term in nature. Accordingly, their carrying amount is a reasonable approximation of fair value.

20. Post statement of assets and liabilities

On 11 April 2017, the Board of Investment Committee of the Management Company passed the resolution to pay the 20th dividend from the operation between 1 December 2016 to 28 February 2017 at the rate of Baht 0.2148 per unit totaling amount approximately at Baht 502.05 million. The payment date will be on 17 May 2017.