

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

STATUTORY FINANCIAL STATEMENTS

29 FEBRUARY 2020



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 29 February 2020, 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

The Fund's financial statements comprise:

- the statement of assets and liabilities as at 29 February 2020;
- the details of investments as at 29 February 2020;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- the significant financial information and ratios 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 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

Valuation of investments in freehold and leasehold properties

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

As at 29 February 2020, The Fund has total cost of investments in properties Bath 28,146 million, and total fair value of investment in property Bath 31,090 million which estimated fair value by using the income approach by the independent professional appraisers authorised by the Securities and Exchange Commission ("the SEC").

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.

I discussed with Management Company and independent appraisers to understand the basis used for measurement of valuation of investments in freehold and leasehold properties.

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:

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:

- 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

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.

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.



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. The annual report is expected to be made available to me after the date of this auditor's report.

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

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

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

A handwritten signature in blue ink, appearing to read 'Sinsiri Thangsombat', is written in a cursive style.

Sinsiri Thangsombat
Certified Public Accountant (Thailand) No. 7352
Bangkok
28 April 2020

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Statement of Assets and Liabilities
As at 29 February 2020

	<u>Notes</u>	<u>2020 Baht</u>	<u>2019 Baht</u>
Assets			
Investments at fair value (at cost, 2020: Baht 29,083 million 2019: Baht 28,989 million)	6, 19	32,029,176,604	31,660,934,357
Cash and cash equivalents	7	766,514,358	584,626,123
Rental receivables, net	8	345,464,497	426,055,586
Deferred expenses	2, 9	55,190,445	26,343,895
Other assets		8,120,113	8,566,278
Total assets		<u>33,204,466,017</u>	<u>32,706,526,239</u>
Liabilities			
Other accounts payable		87,664,684	92,411,303
Rental income received in advance		91,764,274	110,716,400
Deposits received from customers		362,745,757	345,465,778
Accrued expenses		215,269,838	327,298,524
Withholding tax payable		1,403,060	1,573,800
Borrowing	10	2,450,000,000	2,450,000,000
Total liabilities		<u>3,208,847,613</u>	<u>3,327,465,805</u>
Net assets		<u>29,995,618,404</u>	<u>29,379,060,434</u>
Net assets represented by			
Capital received from unitholders		25,493,674,665	25,493,674,665
Retained earnings	2, 11	4,501,943,739	3,885,385,769
Net assets		<u>29,995,618,404</u>	<u>29,379,060,434</u>
Net assets value per unit (Baht)		12.8335	12.5697
Number of units outstanding at the end of the year (units)		2,337,282,928	2,337,282,928



(Piraj Migasena)
Executive Vice President



(Sunee Naewphanich)
Senior Vice President

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 29 February 2020

Type of investments	2020		2019	
	Cost Baht'000	Fair value Baht'000	Cost Baht'000	Fair value Baht'000
Investments in properties				
Ownership on lands and buildings				
1. Srinakarin Project				
Location 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 equipment used in operation	14,742		14,742	
- Related cost on acquisition	3,347		3,347	
- Renovation cost	141,456		123,302	
	3,157,137	3,685,000	3,138,983	4,144,540
12				
2. Krabi Project				
Location 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 equipment used in operation	7,491		7,491	
- Related cost on acquisition	2,307		2,307	
- Renovation cost	38,499		35,171	
	1,558,287	2,047,045	1,554,959	1,957,430
6				
13				

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 29 February 2020

	2020		2019	
	Cost Baht'000	Fair value Baht'000	Cost Baht'000	Fair value Baht'000
		% of fair value		% of fair value
Type of investments (Cont'd)				
Investments in properties (Cont'd)				
Ownership on lands and buildings (Cont'd)				
3. Prachachuen Project				
Location No.829, Pracharat 2 Road				
Bangsue District, Bangkok				
- Ownership on land of 14-3-93 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 equipment used in operation	4,995		4,995	
- Related cost on acquisition	2,643		2,643	
- Renovation cost	24,538		22,468	
	1,537,790	1,667,019	1,535,720	1,739,631
4. Rangsit Klong 7 Project				
Location 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 equipment used in operation	4,429		4,429	
- Related cost on acquisition	1,769		1,769	
- Renovation cost	14,190		13,081	
	1,072,798	1,430,067	1,071,689	1,455,055
		4		5

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 29 February 2020

	2020			2019		
	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 equipment used in operation	4,565			4,565		
- Related cost on acquisition	1,250			1,250		
- Renovation cost	12,565			8,718		
	904,163	850,785	3	900,316	789,377	3
6. Singburi Project						
<u>Location</u> No.189 Moo 7, Bangnga Sub-district						
Thawung District, Lopburi						
- 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 equipment used in operation	5,168			5,168		
- Related cost on acquisition	1,416			1,416		
- Renovation cost	9,141			6,760		
	744,723	803,091	2	742,342	751,588	2

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 29 February 2020

	2020		2019	
	Cost Baht'000	Fair value Baht'000	Cost Baht'000	Fair value Baht'000
		% of fair value		% 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 equipment used in operation	4,057		4,057	
- Related cost on acquisition	1,051		1,051	
- Renovation cost	7,646		4,448	
	728,402	876,181	725,204	773,000
		3		2
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 equipment used in operation	6,276		6,276	
- Related cost on acquisition	1,712		1,712	
- Renovation cost	25,843		24,349	
	627,156	678,275	625,662	571,000
		2		2

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Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 29 February 2020

Type of investments (Cont'd) Investments in properties (Cont'd) Ownership on lands and buildings (Cont'd)	2020			2019		
	Cost	Fair value	% of	Cost	Fair value	% of
	Baht'000	Baht'000	fair value	Baht'000	Baht'000	fair value
9. Maesai Project						
Location 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 equipment used in operation	3,937			3,937		
- Related cost on acquisition	1,448			1,448		
- Renovation cost	26,060			24,566		
	607,428	816,041	3	605,934	783,960	2
10 Ranong Project						
Location 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 equipment used in operation	5,045			5,045		
- Related cost on acquisition	973			973		
- Renovation cost	13,496			11,757		
	573,906	636,551	2	572,167	593,143	2

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Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Details of Investments (Cont'd)
As at 29 February 2020

	2020		2019	
	Cost Baht'000	Fair value Baht'000	Cost Baht'000	Fair value Baht'000
		% of fair value		% of fair value
Type of investments (Cont'd)				
Investments in properties (Cont'd)				
Ownership on lands and buildings (Cont'd)				
11 Phuket Project				
Location No.104 Moo 5, Chaloeam Phrakiat Ratchakarn Thi 9 Road				
Ratsada Sub-district, Muang Phuket District, Phuket				
-	314,379		314,379	
-				
-	2,550,910		2,550,910	
-	9,642		9,642	
-	4,322		4,322	
-	125,039		108,777	
	3,004,292	10	2,988,030	10
12 Salaya Project				
Location No.99/14 Moo 1, Bangtoey Sub-district				
Sam Phran District, Nakornpathom				
-	345,883		345,883	
-				
-	1,402,608		1,402,608	
-	8,580		8,580	
-	22,734		22,734	
-	51,561		46,411	
	1,831,366	7	1,826,216	6

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 29 February 2020

	2020			2019		
	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 Nakornsrithammarat Project						
Location No.15, Pattanakarn-Khukhwang Road						
Naimueng Sub-district, Mueng District, Nakornsrithammarat						
- 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 equipment used in operation	9,964			9,964		
- Related cost on acquisition	2,900			2,900		
- Renovation cost	79,401			76,865		
	1,258,852	1,388,095	4	1,256,316	1,326,650	4
14 Navanakorn Project						
Location 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 equipment used in operation	23,322			23,322		
- Related cost on acquisition	39,201			39,201		
- Renovation cost	19,276			15,237		
	2,306,002	2,666,560	8	2,301,963	2,610,491	8

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 29 February 2020

Type of investments (Cont'd) Investments in properties (Cont'd) Ownership on partial lands, ownership on buildings, and leasehold right on partial land	2020			2019		
	Cost	Fair value	% of	Cost	Fair value	% of
	Baht'000	Baht'000	fair value	Baht'000	Baht'000	fair value
1. Samui Project						
Location No.1/7 Moo 6, Bo Phut Sub-district Koh Samui District, Surat Thani						
- Rental period from 14 March 2012 - 29 August 2035						
- Ownership on land of 22-1-52 rai	95,356			95,356		
- Leasehold right on land of 24-3-78 rai	66,991			66,991		
- Ownership of shopping mall buildings, component buildings and utility system	1,048,229			1,048,229		
- Ownership of furniture and fixtures, and equipment used in operation	6,338			6,338		
- Related cost on acquisition	5,221			5,221		
- Renovation cost	41,511			36,773		
	1,263,646	989,160	3	1,258,908	1,000,043	3
2. Pitsanulok Project						
Location No.909 Moo 3, Aranyik Sub-district Mueng Pitsanulok						
- Rental period from 14 March 2012 - 29 August 2035						
- Ownership on land of 30-0-71 rai	260,211			260,211		
- Leasehold right on land of 0-2-60 rai	2,025			2,025		
- Ownership of shopping mall buildings, component buildings and utility system	837,028			837,028		
- Ownership of furniture and fixtures, and equipment used in operation	8,327			8,327		
- Related cost on acquisition	2,286			2,286		
- Renovation cost	99,420			97,648		
	1,209,297	951,216	3	1,207,525	850,612	3

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 29 February 2020

Type of investments (Cont'd) Investments in properties (Cont'd) Leasehold right on lands and ownership on buildings	2020			2019		
	Cost	Fair value	% of	Cost	Fair value	% of
	Baht'000	Baht'000	fair value	Baht'000	Baht'000	fair value
1. Amatanakorn Project						
<u>Location No.700/75 Moo 5, Klontamru Sub-district</u> 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 equipment used in operation	2,721			2,721		
- Related cost on acquisition	4,687			4,687		
- Renovation cost	59,345			55,933		
	1,585,652	2,168,155	7	1,582,240	2,259,566	7
2. Petchaboon Project						
<u>Location No.929 Moo 2, Sa-Deang Sub-district</u> 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 equipment used in operation	5,389			5,389		
- Related cost on acquisition	3,294			3,294		
- Renovation cost	29,451			27,383		
	735,502	867,211	3	733,434	912,342	3

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 29 February 2020

	2020			2019		
	Cost	Fair value	% of	Cost	Fair value	% of
	Baht'000	Baht'000	fair value	Baht'000	Baht'000	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 equipment used in operation	5,818			5,818		
- Related cost on acquisition	3,354			3,354		
- Renovation cost	8,988			6,394		
	528,633	599,039	2	526,039	568,388	2
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 equipment used in operation	3,487			3,487		
- Related cost on acquisition	1,450			1,450		
- Renovation cost	5,179			4,978		
	398,854	384,008	1	398,653	355,024	1

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 29 February 2020

	2020			2019		
	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	69,270			69,270		
- Leasehold right on land of 55-0-80 rai						
- Ownership of shopping mall buildings, component buildings and utility system	569,726			569,726		
- Ownership of furniture and fixtures, and equipment used in operation	4,820			4,820		
- Related cost on acquisition	6,509			6,509		
- Renovation cost	8,475			5,249		
	658,800	761,091	2	655,574	736,095	2
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 equipment used in operation	8,091			8,091		
- Related cost on acquisition	10,059			10,059		
- Renovation cost	12,956			11,686		
	675,844	646,992	2	674,574	618,954	2

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 29 February 2020

Type of investments (Cont'd) Investments in properties (Cont'd) Leasehold right on land and buildings	2020			2019		
	Cost Baht'000	Fair value Baht'000	% of fair value	Cost Baht'000	Fair value Baht'000	% of fair value
1. Rama I Project						
Location 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 12-3-11 rai and shopping mall buildings, component buildings and utility system	1,026,213			1,026,213		
- Ownership of furniture and fixtures, and equipment used in operation	68,969			68,969		
- Related cost on acquisition	10,784			10,784		
- Renovation cost	71,128			64,415		
	1,177,094	868,909	3	1,170,381	811,814	3
Total investments in properties	28,145,624	31,090,171	97	28,052,829	30,723,238	97

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 29 February 2020

	2020				2019			
	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 18/49/91D					209,283	209,956	1	7 March 2019
Bank of Thailand: BOT 19/2/91D					249,075	249,588	1	11 April 2019
Bank of Thailand: BOT 19/7/91D					199,168	199,318	-	16 May 2019
Bank of Thailand: BOT 19/9/91D					278,829	278,834	1	30 May 2019
Bank of Thailand: BOT 19/36/182D	199,230	199,973	-	5 March 2020				
Bank of Thailand: BOT 19/49/92D	209,368	209,973	1	5 March 2020				
Bank of Thailand: BOT 20/1/91D	249,348	249,717	1	9 April 2020				
Bank of Thailand: BOT 20/8/91D	279,329	279,343	1	28 May 2020				
Total investments in securities	937,275	939,006	3		936,355	937,696	3	
Total investments	29,082,899	32,029,177	100		28,989,184	31,660,934	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 29 February 2020

	Notes	2020 Baht	2019 Baht
Investment income			
Rental and service income		3,051,847,868	3,054,598,965
Interest income		19,568,394	16,732,195
Other income		24,666	26,995
Total income		3,071,440,928	3,071,358,155
Expenses			
Management fee	13, 14	15,340,798	15,079,705
Trustee fee	13	3,051,012	2,915,139
Registrar fee	13, 14	4,576,517	4,372,709
Property management fee	2, 13, 14	262,762,780	269,551,407
Professional fee		1,716,000	1,674,200
Operating expenses	13	232,815,161	321,552,347
Ground lease payment		48,627,364	48,487,656
Other expenses	13	6,438,746	4,456,695
Total expenses		575,328,378	668,089,858
Net investment income before financial expenses		2,496,112,550	2,403,268,297
Financial expenses			
Interest expenses		69,214,849	66,476,353
Net investment income		2,426,897,701	2,336,791,944
Net gain from investments			
Net unrealised gain from investments valuation	6, 11	274,526,911	745,083,856
Total net gain from investments		274,526,911	745,083,856
Increase in net assets from operations		2,701,424,612	3,081,875,800

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 29 February 2020

	<u>Notes</u>	<u>2020 Baht</u>	<u>2019 Baht</u>
Increase in net assets from operation during the year			
Net investment income		2,426,897,701	2,336,791,944
Net unrealised gain from investments valuation		<u>274,526,911</u>	<u>745,083,856</u>
Net increase in net assets from operations		2,701,424,612	3,081,875,800
Dividend payment	11, 12	<u>(2,112,670,037)</u>	<u>(2,103,087,177)</u>
Increase in net assets during the year		588,754,575	978,788,623
Net assets at the beginning of the year		29,379,060,434	28,400,271,811
Retrospective adjustments from changes in accounting policy	2	<u>27,803,395</u>	<u>-</u>
Net assets at the end of the year		<u><u>29,995,618,404</u></u>	<u><u>29,379,060,434</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 29 February 2020

	Notes	2020 Baht	2019 Baht
Cash flows from operating activities			
Increase in net assets from operations		2,701,424,612	3,081,875,800
Adjustments to reconcile net increase in net assets from operations to net cash provided by (used in) operating activities:			
Purchase of investments in properties		(92,794,174)	(123,930,256)
Purchases of investments in securities		(3,547,049,165)	(3,707,186,039)
Disposal of investments in securities		3,560,000,000	3,580,000,000
Decrease in rental receivables		78,055,431	35,703,819
Increase in deferred expenses		(1,043,155)	(103,701)
Decrease (increase) in other assets		610,500	(6,841,521)
(Decrease) increase in other accounts payable		(4,746,619)	1,276,392
Decrease in rental income received in advance		(18,952,126)	(4,302,816)
Increase in deposits received from customers		17,279,979	14,256,931
(Decrease) increase in accrued expenses		(109,791,132)	16,201,176
(Decrease) increase in withholding tax payable		(170,740)	559,251
Interest income		(19,568,394)	(16,732,195)
Bad debt expense		2,535,658	(8,883)
Interest expenses		69,214,849	66,476,353
Interest received		5,532,063	5,298,227
Net unrealised gain from investment valuation		(274,526,911)	(745,083,856)
Net cash provided by operating activities		2,366,010,676	2,197,458,682
Cash flows from financing activities			
Dividend payment	11, 12	(2,112,670,037)	(2,103,087,177)
Interest paid		(71,452,404)	(65,058,642)
Net cash used in financing activities		(2,184,122,441)	(2,168,145,819)
Net increase in cash and cash equivalents		181,888,235	29,312,863
Cash and cash equivalents at the beginning of the year		584,626,123	555,313,260
Cash and cash equivalents at the end of the year		766,514,358	584,626,123

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 29 February 2020

	2020	2019	2018	2017	2016
	Baht	Baht	Baht	Baht	Baht
Information on operating results (per unit)					
Net asset value at the beginning of the year	12.5697	12.1509	11.8029	11.4502	11.2419
<u>Add</u> Net investment income	1.0383	0.9998	0.9645	0.9435	0.8650
Net unrealised gain from investments valuation	0.1175	0.3188	0.2407	0.2724	0.1902
Net effect from retrospective adjustments	0.0119	-	-	-	-
<u>Less</u> Reduction of the capital	-	-	-	-	(0.0332)
Dividend payment	(0.9039)	(0.8998)	(0.8572)	(0.8632)	(0.8137)
Net asset value at the end of year	<u>12.8335</u>	<u>12.5697</u>	<u>12.1509</u>	<u>11.8029</u>	<u>11.4502</u>
Ratio of net profit to average net asset value during the year (%)					
	9.07	10.72	10.09	10.49	9.33
Significant financial ratios and additional significant information					
Net asset value at the end of the year (Baht'000)	29,995,618	29,379,060	28,400,272	27,586,865	26,762,553
Ratio of total expenses to average net assets during the year (%)	1.93	2.32	2.42	2.46	2.87
Ratio of investment income to average net asset value during the year (%)	10.31	10.68	10.77	10.88	10.83
Ratio of weighted average investment purchases and sales during the year to average net asset value during the year (%)*	24.17	25.78	23.28	16.98	23.65
Average net asset value during the year (Baht'000)	29,788,793	28,747,868	27,908,934	27,090,911	26,440,923

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.

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 29 February 2020, 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 28 April 2020.

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, statement 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 and amended financial reporting standards that are relevant and have significant impacts to the Fund

2.2.1 The Fund has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019

- a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Group will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 11, Construction contracts, TAS 18, Revenue and related interpretations.

The Fund has adopted the new Thai Financial Reporting Standards (TFRS) no. 15, Revenue from contracts with customers from 1 March 2019 under the modified retrospective approach and the comparative figures have not been restated. The Fund did apply practical expedient relates to completed contracts and contract modifications allowed by TFRS 15.

The adoption of TFRS 15 mainly affects the Fund's accounting treatment on service contract acquisition cost. The service contract acquisition costs must be recognised as an deferred expense and amortised straight line over the contract period.

	As at 28 February 2019 previously reported	Adjustments	As at 1 March 2019 Restated
Statement of financial position			
Deferred expense	26,343,895	27,803,395	54,147,290
Retained earnings	3,885,385,769	27,803,395	3,913,189,164

The following tables show the amounts by each financial information line item in the current year from the adoption of the new revenue standard compared to the previous revenue standards.

	As at 29 February 2020		
	Balance as reported	Impacts from TFRS 15	Balance under the previous revenue standards
Statement of financial position			
Deferred expense	55,190,445	(26,309,333)	28,881,112
Retained earnings	4,501,943,739	(26,309,333)	4,475,634,406

	For the year ended 29 February 2020		
	Balance as reported	Impacts from TFRS 15	Balance under the previous revenue standards
Statement of comprehensive income			
Property management fees	262,762,780	1,494,062	264,256,842

2. Accounting policies (Cont'd)

2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Fund (Cont'd)

2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020

Certain new and amended financial reporting standards have been issued that are not mandatory for current period end 29 February 2020 reporting period and have not been early adopted by the Fund.

- a) Association of Investment Management Companies has prepared accounting guidance for Property Fund, Property REIT, Infrastructure Fund and Infrastructure REIT which was approved by the Securities and Exchange Commission. The guidance is effective for Property Fund, Property REIT, Infrastructure Fund and Infrastructure REIT which annual periods beginning on or after 1 January 2020. The Fund has not yet adopted this guidance.

The Fund's management is currently assessing the impact of initial adoption of this guidance

- b) Financial instruments

The new financial reporting standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

These new standards address the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments

The Fund's management is currently assessing the impacts from these standards.

- b) TFRS 16, Leases

Where the Fund is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

The Fund's management is currently assessing the impacts from these standards.

2.3 Cash and cash equivalents

Cash and cash equivalents include savings and current account deposits with banks 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 prepaid land rental expense, service contract acquisition costs and other directly related expenses as incurred. Deferred expenses are amortised as an expense over the contract period.

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 (Cont'd)

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 of 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 2018	29,854,108	799,103	30,653,211
<u>Add</u> Purchase of investments	-	3,707,186	3,707,186
Renovations	123,930	-	123,930
<u>Less</u> Maturity		(3,568,477)	(3,568,477)
<u>Add</u> Unrealised gain from valuation	745,200	(116)	745,084
As at 28 February 2019	<u>30,723,238</u>	<u>937,696</u>	<u>31,660,934</u>
As at 28 February 2019	30,723,238	937,696	31,660,934
<u>Add</u> Purchase of investments	-	3,547,049	3,547,050
Renovations	92,794	-	92,794
<u>Less</u> Maturity	-	(3,546,127)	(3,546,128)
<u>Add</u> Unrealised gain(loss) from valuation	274,139	388	274,527
As at 29 February 2020	<u>31,090,171</u>	<u>939,006</u>	<u>32,029,177</u>

As at 29 February 2020, total cost of investment in properties is Bath 28,146 million (2019: Bath 28,053 million) and total fair value of investment in property is Bath 31,091 million (2019: Bath 30,723 million).

6. Investment at fair value (Cont'd)

Investments in properties

For the year ended 29 February 2020

On 1 August 2019, 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) Nakornsriathammarat 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 10,413 million was Baht 10,777 million. The Fund recorded the unrealised gain from the assessment amounting to Baht 364 million in the statement of operations on 1 August 2019. The Fund's management has assessed that the fair value as at 29 February 2020 is significantly different from the fair value on appraisal date which are reassessed on 27 January 2020.

Later, on 4 December 2019, 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 20,357 million was Baht 20,592 million. The Fund recorded the unrealised gain from the assessment amounting to Baht 235 million in the statement of operations on 4 December 2019. The Fund's management has assessed that the fair value as at 29 February 2020 is not significantly different from the fair value on appraisal date except Srinakarin project which is reassessed on 25 February 2020.

Later, on 27 January 2020, 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) Nakornsriathammarat 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 10,791 million was Baht 10,760 million. The Fund recorded the unrealised loss from the assessment amounting to Baht 31 million in the statement of operations on 27 January 2020. The Fund's management has assessed that the fair value as at 29 February 2020 is not significantly different from the fair value on appraisal date.

Subsequently, on 25 February 2020, the Fund engaged an independent valuer to assess the fair value of the investments in properties for 1 project which is Srinakarin 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 these 1 project which had carrying value at Baht 3,979 million was Baht 3,685 million. The Fund recorded the unrealised loss from the assessment amounting to Baht 294 million in the statement of operations on 25 February 2020. The Fund's management has assessed that the fair value as at 29 February 2020 is not significantly different from the fair value on appraisal date.

6. Investment at fair value (Cont'd)

Investments in properties (Cont'd)

For the year ended 28 February 2019

On 1 August 2018, 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) Nakornsri Thammarat 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 10,283 million was Baht 10,391 million. The Fund recorded the unrealised gain from the assessment amounting to Baht 108 million in the statement of operations on 1 August 2018. The Fund's management has assessed that the fair value as at 28 February 2019 is not significantly different from the fair value on appraisal date.

Subsequently, on 4 December 2018, 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 19,649 million was Baht 20,286 million. The Fund recorded the unrealised gain from the assessment amounting to Baht 637 million in the statement of operations on 4 December 2018. The Fund's management has assessed that the fair value as at 28 February 2019 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 29 February 2020

7. Cash and cash equivalents

As at 29 February 2020 and 28 February 2019, the Fund has the details of cash and cash equivalents as follows:

	2020		2019	
	Principal Baht'000	Interest rate per annum %	Principal Baht'000	Interest rate per annum %
Cash on hand and cash at bank				
Cash on hand	6,968	-	7,976	-
Hong Kong and Shanghai Banking Corporation Limited Saving account	12,329	0.40	53,462	0.55
Citibank N.A. Bangkok Branch Saving account	2,598	0.50	2,586	0.50
Kasikorn Bank Public Company Limited Current account	3,790	-	3,806	-
Siam Commercial Bank Public Company Limited Current account	39,117	-	51,354	-
Krung Thai Bank Public Company Limited Saving account	-	-	413	0.375
CIMB Thai Bank Public Company Limited Saving account	1	0.375	1	0.75
United Overseas Bank Saving account	701,711	0.70	465,028	0.75
	<u>766,514</u>		<u>584,626</u>	

8. Rental receivables, net

	2020 Baht'000	2019 Baht'000
Rental receivables	361,907	439,963
<u>Less</u> Allowance for doubtful debt	<u>(16,442)</u>	<u>(13,907)</u>
	<u>345,465</u>	<u>426,056</u>

Outstanding rental receivables can be analysed as follows:

	2020 Baht'000	2019 Baht'000
Up to 3 months	333,536	418,253
3 - 6 months	9,724	5,797
6 - 12 months	4,262	4,591
Over 12 months	14,385	11,322
	<u>361,907</u>	<u>439,963</u>
<u>Less</u> Allowance for doubtful debt	<u>(16,442)</u>	<u>(13,907)</u>
	<u>345,465</u>	<u>426,056</u>

Tesco Lotus Retail Growth Freehold and Leasehold Property Fund
Notes to the Financial Statements
For the year ended 29 February 2020

9. Deferred expenses

Deferred expenses comprised of expenses as follows:

	2020	2019
	Baht'000	Baht'000
Deferred land rental expenses	28,972	26,265
Deferred contract cost	26,144	-
Other prepayments	75	79
	<u>55,191</u>	<u>26,344</u>

10. Borrowing

	2020	2019
	Baht'000	Baht'000
Beginning balance	2,450,000	2,450,000
Addition	-	-
Repayment	-	-
Ending balance	<u>2,450,000</u>	<u>2,450,000</u>

Maturity of borrowing is as follows:

	2020	2019
	Baht'000	Baht'000
Within 1 year	-	-
Over 1 year	2,450,000	2,450,000
Ending balance	<u>2,450,000</u>	<u>2,450,000</u>

The borrowing bear interest at BIBOR+1.075% (2019: BIBOR+1.075%) and will be repayable within December 2022.

BIBOR is Bangkok Interbank Offer Rate of CIMB Thai Bank Public Company Limited for the three-month period.

The Fund has no undrawn committed borrowing facilities.

11. Unitholder' equity

The fund has no capital reduction during the year.

Movements in retained earnings are as follows:

	2020	2019
	Baht'000	Baht'000
Beginning balance	3,885,386	2,906,597
<u>Add</u> Net investment income	2,426,898	2,336,792
Net unrealised gain from investments valuation	274,527	745,084
Retrospective adjustments from		
changes in accounting policy (Note 2)	27,803	-
<u>Less</u> Dividend paid to unitholder (Note 12)	(2,112,670)	(2,103,087)
Ending balance	<u>4,501,944</u>	<u>3,885,386</u>

12. Dividend

The investment committee approved dividend as follows:

The details of dividends for the year ended 29 February 2020 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 2018 to 28 February 2019	11 April 2019	30 April 2019	15 May 2019	0.2249	526
2	1 March 2019 to 31 May 2019	12 July 2019	31 July 2019	15 August 2019	0.2309	540
3	1 June 2019 to 31 August 2019	11 October 2019	30 October 2019	13 November 2019	0.2262	528
4	1 September 2019 to 30 November 2019	15 January 2020	29 January 2020	12 February 2020	0.2219	519
						<u>2,113</u>

The details of dividends for the year ended 28 February 2019 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 2017 to 28 February 2018	10 April 2018	30 April 2018	15 May 2018	0.2247	525
2	1 March 2018 to 31 May 2018	13 July 2018	31 July 2018	15 August 2018	0.2303	538
3	1 June 2018 to 31 August 2018	11 October 2018	31 October 2018	15 November 2018	0.2248	526
4	1 September 2018 to 30 November 2018	17 January 2019	31 January 2019	15 February 2019	0.2200	514
						<u>2,103</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 years ended 29 February 2020 and 28 February 2019, 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.

13. Expenses (Cont'd)

The management fee, trustee fee, registrar fee and property management fee are calculated by the Management Company as follows: (Cont'd)

Property management fee

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.

Operating expenses

Operating expense comprised of:

	2020	2019
	Baht'000	Baht'000
Cleaning, security & store used and supplies expense	98,787	100,094
Insurance expense	29,711	28,713
Repair and maintenance expense	27,140	28,480
Utilities expense	130,344	133,582
Sales promotion	18,926	18,554
Asset appraisal expense	1,488	1,848
Property tax	(77,898)	7,342
Annual inspection fee	2,940	2,939
Annual general meeting expense	909	-
Non-refundable withholding tax expense	468	-
	<u>232,815</u>	<u>321,552</u>

Other expenses

Other expenses comprised of:

	2020	2019
	Baht'000	Baht'000
Printing expense	100	-
Listing expense	134	103
Bank charge	124	84
Provision of doubtful accounts	2,536	(9)
Accounting and tax management fee	742	737
Site visit expense	76	401
Legal service fee	153	388
Common area fee	978	891
Other expense	1,596	1,862
	<u>6,439</u>	<u>4,457</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 and unit holder in proportionate 25%.
- Krung Thai Asset Management Public Company Limited is the Management Company of the Fund.

The following significant transactions were carried out with related parties:

a) Statement of operations

	2020	2019
	Baht'000	Baht'000
The Property Manager:		
Rental income	752,149	759,692
Property management fee	262,763	269,551
Accounting and tax management fee	742	737
The Management Company:		
Management fee	15,341	15,080
Registrar fee	4,577	4,373

b) Statement of assets and liabilities

	2020	2019
	Baht'000	Baht'000
The Property Manager:		
Rental receivable	259,364	345,470
Other accounts payable	4,368	3,248
Accrued expenses	52,822	51,331
The Management Company:		
Accrued expenses	1,272	1,221

15. Financial risk management

As at 29 February 2020, 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.

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 29 February 2020 as presented in the financial statements approximate to their fair values.

16. Information regarding disposal and purchase of investments

During year ended 29 February 2020, the Fund has purchased and disposed investments amounting to Baht 7,200 million representing 24.17% of the weighted average net asset value during the year. (During year ended 28 February 2019, the Fund has purchased and disposed investments amounting to Baht 7,411 million representing 25.78% 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 29 February 2020 and 28 February 2019, the Fund has long-term commitments in the respect of land and parking area rent. The future minimum lease payment commitments are as follows:

	2020 Baht'000	2019 Baht'000
Up to 1 year	44,965	43,759
More than 1 year, but within 5 years	182,329	178,299
Over 5 years	564,083	613,078
	<u>791,377</u>	<u>835,136</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 29 February 2020 and 28 February 2019, 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 29 February 2020				
Investment in properties	-	-	31,090,171	31,090,171
Investment in securities	-	939,006	-	939,006
	<u>-</u>	<u>939,006</u>	<u>31,090,171</u>	<u>32,029,177</u>
	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 28 February 2019				
Investment in properties	-	-	30,723,238	30,723,238
Investment in securities	-	937,696	-	937,696
	<u>-</u>	<u>937,696</u>	<u>30,723,238</u>	<u>31,660,934</u>

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

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

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.

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 9% - 13% 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

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

	2020	2019
	Baht'000	Baht'000
Beginning balance	31,660,934	30,653,211
Increase	3,639,844	3,831,116
Decrease	(3,546,128)	(3,568,477)
Net realised gain from investment valuation	274,527	745,084
Ending balance	<u>32,029,177</u>	<u>31,660,934</u>
	Impact on fair value	
	increase (decrease)	
	2020	2019
	Baht'000	Baht'000
Discount rate		
Discount rate, decrease of 0.50 percent	1,101,000	1,031,000
Discount rate, increase of 0.50 percent	(1,053,000)	(989,000)
Capitalisation rate		
Capitalisation rate, decrease of 0.50 percent	937,000	701,000
Capitalisation rate, increase of 0.50 percent	(792,000)	(628,000)
Rental growth rate		
Rental growth rate, decrease of 0.50 percent	(750,000)	(844,000)
Rental growth rate, increase of 0.50 percent	770,000	891,000

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 29 February 2020 and 28 February 2019 is below:

	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 29 February 2020				
Borrowing	-	2,450,000	-	2,450,000
	-	2,450,000	-	2,450,000
	(Unit: Baht'000)			
	Level 1	Level 2	Level 3	Total
As of 28 February 2019				
Borrowing	-	2,450,000	-	2,450,000
	-	2,450,000	-	2,450,000

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

According to epidemic of Corona Virus (COVID-19) a dangerous communicable disease as the announcement of the Ministry of Public Health, on 26 March 2020, Tesco Lotus has been temporary closed for 16 branches except Sena branch, Singburi branch, Ranong branch, Nakorn SriThammarat branch, Tung Song branch, Mae Sai branch and Samui branch.

Subsequently, on 1 April 2020, the additional 6 branches including Sena branch, Singburi branch, Nakorn SriThammarat branch, Tung Song branch, Mae Sai branch and Samui have been temporary closed. Totaling 22 branches which are temporarily closed for some area, leaving only Ranong branch which has not yet implemented in accordance with the announcement above.

According to the situation, the Fund is considering to reduce or waive rental fee to alleviate the impact of the effect of the situation on tenants. The revenue of the first quarter of 2020 is expected to affect by this situation.

On 14 April 2020, the Board of Investment Committee passed the resolution to pay the 32th dividend from the operation between 1 December 2019 to 29 February 2020 at the rate of Baht 0.2556 per unit totalling amount approximately at Baht 597.41 million. The payment date will be on 18 May 2020.