

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

**STATUTORY FINANCIAL STATEMENTS**

**28 FEBRUARY 2019**

# 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 2019, 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 28 February 2019;
- the details of investments as at 28 February 2019;
- 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   |
|--|---|
| <p><b><i>Valuation of investments in freehold and leasehold properties</i></b></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 2019, The Fund has total cost of investments in properties Bath 28,053 million, and total fair value of investment in property Bath 30,723 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"> <li>• 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</li> <li>• the growth rate of revenue by agreeing with lease contracts and historical growth rate</li> <li>• the occupancy rate by agreeing with the average occupancy rate from historical information</li> <li>• the discount rate by benchmarking these against the same industries</li> </ul> <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. 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.

**Sinsiri Thangsombat**  
Certified Public Accountant (Thailand) No. 7352  
Bangkok  
26 April 2019

**Tesco Lotus Retail Growth Freehold and Leasehold Property Fund**  
**Statement of Assets and Liabilities**  
**As at 28 February 2019**

|  | <b>Notes</b> | <b>2019</b><br><b>Baht</b> | <b>2018</b><br><b>Baht</b> |
|--|--------------|----------------------------|----------------------------|
| <b>Assets</b>  |              |                            |                            |
| Investments at fair value<br>(at cost, 2019: Baht 28,989 million<br>2018: Baht 28,727 million) | 6, 19        | 31,660,934,357             | 30,653,211,014             |
| Cash and cash equivalents  | 7            | 584,626,123                | 555,313,260                |
| Rental receivables, net  | 8            | 426,055,586                | 461,750,522                |
| Deferred expenses  | 9            | 26,343,895                 | 26,240,194                 |
| Other assets   |              | 8,566,278                  | 1,813,981                  |
| <b>Total assets</b>  |              | <b>32,706,526,239</b>      | <b>31,698,328,971</b>      |
| <b>Liabilities</b>   |              |                            |                            |
| Other accounts payable   |              | 92,411,303                 | 91,134,911                 |
| Rental income received in advance  |              | 110,716,400                | 115,019,216                |
| Deposits received from customers   |              | 345,465,778                | 331,208,847                |
| Accrued expenses   |              | 327,298,524                | 309,679,637                |
| Withholding tax payable  |              | 1,573,800                  | 1,014,549                  |
| Borrowing  | 10           | 2,450,000,000              | 2,450,000,000              |
| <b>Total liabilities</b>   |              | <b>3,327,465,805</b>       | <b>3,298,057,160</b>       |
| <b>Net assets</b>  |              | <b>29,379,060,434</b>      | <b>28,400,271,811</b>      |
| <b>Net assets represented by</b>   |              |                            |                            |
| Capital received from unitholders  |              | 25,493,674,665             | 25,493,674,665             |
| Retained earnings  | 11           | 3,885,385,769              | 2,906,597,146              |
| <b>Net assets</b>  |              | <b>29,379,060,434</b>      | <b>28,400,271,811</b>      |
| Net assets value per unit (Baht)   |              | 12.5697                    | 12.1509                    |
| Number of units outstanding at<br>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 28 February 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties</b>  |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings</b>   |                  |                        |                    |                  |                        |                    |
| 1. Srinakarin Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.9 Moo 6, Bangmuangmai Sub-district<br>Muang District, Samutprakarn |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 48-1-74 rai  | 817,369          |                        |                    | 817,369          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 123,302          |                        |                    | 120,052          |                        |                    |
|   | <b>3,138,983</b> | <b>4,144,540</b>       | <b>13</b>          | <b>3,135,733</b> | <b>3,945,318</b>       | <b>13</b>          |
| 2. Krabi Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.191 Moo 12, Krabi Noi Sub-district<br>Muang District, Krabi        |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 30-1-52 rai  | 185,030          |                        |                    | 185,030          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 35,171           |                        |                    | 30,239           |                        |                    |
|   | <b>1,554,959</b> | <b>1,957,430</b>       | <b>6</b>           | <b>1,550,027</b> | <b>1,886,536</b>       | <b>6</b>           |

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 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>                                      |                  |                        |                    |                  |                        |                    |
| 3. Prachachuen Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.829, Pracharat 2 Road<br>Bangsue District, Bangkok                 |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 14-3-93 rai  | 513,680          |                        |                    | 513,680          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 22,468           |                        |                    | 18,817           |                        |                    |
|   | <u>1,535,720</u> | <u>1,739,631</u>       | <u>6</u>           | <u>1,532,069</u> | <u>1,641,816</u>       | <u>5</u>           |
| 4. Rangsit Klong 7 Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No. 41/2, Lumpakkood Sub-district<br>Thanyaburi District, Pathumthani |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 144-1-71 rai   | 394,554          |                        |                    | 394,554          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 13,081           |                        |                    | 12,510           |                        |                    |
|   | <u>1,071,689</u> | <u>1,455,055</u>       | <u>5</u>           | <u>1,071,118</u> | <u>1,431,267</u>       | <u>5</u>           |

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**Tesco Lotus Retail Growth Freehold and Leasehold Property Fund**  
**Details of Investments (Cont'd)**  
**As at 28 February 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| 5. Tung Song Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.144 Moo 2, Nonghong Sub-district<br>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  | 8,718            |                        |                    | 6,239            |                        |                    |
|  | <u>900,316</u>   | <u>789,377</u>         | <u>3</u>           | <u>897,837</u>   | <u>800,250</u>         | <u>3</u>           |
| 6. Singburi Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.189 Moo 7, Bangnga Sub-district<br>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  | 6,760            |                        |                    | 5,453            |                        |                    |
|  | <u>742,342</u>   | <u>751,588</u>         | <u>2</u>           | <u>741,035</u>   | <u>765,000</u>         | <u>2</u>           |

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**Tesco Lotus Retail Growth Freehold and Leasehold Property Fund**  
**Details of Investments (Cont'd)**  
**As at 28 February 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| 7. Pranburi Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.706 Moo 7, Kao-noi Sub-district<br>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   | 4,448            |                        |                    | 3,900            |                        |                    |
|   | <u>725,204</u>   | <u>773,000</u>         | <u>2</u>           | <u>724,656</u>   | <u>779,307</u>         | <u>3</u>           |
| 8. Mahachai Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.119 Moo7, Tasai Sub-district<br>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   | 24,349           |                        |                    | 18,885           |                        |                    |
|   | <u>625,662</u>   | <u>571,000</u>         | <u>2</u>           | <u>620,198</u>   | <u>632,273</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 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| 9. Maesai Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.156 Moo 6, Weangpang Kham Sub-district<br>Maesai District, Chiangrai          |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 32-3-0 rai  | 184,653          |                        |                    | 184,653          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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  | 24,566           |                        |                    | 11,236           |                        |                    |
|  | <u>605,934</u>   | <u>783,960</u>         | <u>2</u>           | <u>592,604</u>   | <u>736,000</u>         | <u>2</u>           |
| 10. Ranong Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.25/15 Moo 1, Petchkasem Road<br>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<br>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  | 11,757           |                        |                    | 9,832            |                        |                    |
|  | <u>572,167</u>   | <u>593,143</u>         | <u>2</u>           | <u>570,242</u>   | <u>586,000</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 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| 11. Phuket Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.104 Moo 5, Chaloem Phrakiat Ratchakarn Thi 9 Road<br>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<br>and utility system   | 2,550,910        |                        |                    | 2,550,910        |                        |                    |
| - Ownership of furniture and fixtures, and equipment used in operation  | 9,642            |                        |                    | 9,642            |                        |                    |
| - Related cost on acquisition   | 4,322            |                        |                    | 4,322            |                        |                    |
| - Renovation cost   | 108,777          |                        |                    | 103,836          |                        |                    |
|   | <u>2,988,030</u> | <u>3,119,845</u>       | <u>10</u>          | <u>2,983,089</u> | <u>3,035,644</u>       | <u>10</u>          |
| 12. Salaya Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.99/14 Moo 1, Bangtoey Sub-district<br>Sam Phran District, Nakornpathom                                   |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 38-3-99 rai  | 345,883          |                        |                    | 345,883          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>and utility system   | 1,402,608        |                        |                    | 1,402,608        |                        |                    |
| - Ownership of furniture and fixtures, and equipment used in operation  | 8,580            |                        |                    | 8,580            |                        |                    |
| - Related cost on acquisition   | 22,734           |                        |                    | 22,734           |                        |                    |
| - Renovation cost   | 46,411           |                        |                    | 43,675           |                        |                    |
|   | <u>1,826,216</u> | <u>1,994,690</u>       | <u>6</u>           | <u>1,823,480</u> | <u>2,094,240</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 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Ownership on lands and buildings (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| 13. Nakornsrihammarat Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.15, Pattanakarn-Khukhwang Road<br>Naimueng Sub-district, Mueng District,<br>Nakornsrihammarat  |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 26-0-34 rai  | 195,037          |                        |                    | 195,037          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 76,865           |                        |                    | 71,201           |                        |                    |
|   | <u>1,256,316</u> | <u>1,326,650</u>       | <u>4</u>           | <u>1,250,652</u> | <u>1,358,091</u>       | <u>4</u>           |
| 14. Navanakorn Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> Navanakorn Industrial Promotion Zone<br>at 98/103 Moo13, Klong 1 Sub-District,<br>Klong Luang District,<br>Pathumthani Province, Thailand |                  |                        |                    |                  |                        |                    |
| - Ownership on land of 31-0-5 rai   | 701,484          |                        |                    | 701,484          |                        |                    |
| - Ownership of shopping mall buildings, component buildings<br>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   | 15,237           |                        |                    | 12,423           |                        |                    |
|   | <u>2,301,963</u> | <u>2,610,491</u>       | <u>8</u>           | <u>2,299,149</u> | <u>2,391,053</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 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Ownership on partial lands, ownership on buildings, and leasehold right on partial land</b> |                  |                        |                    |                  |                        |                    |
| 1. Samui Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.1/7 Moo 6, Bo Phut Sub-district<br>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<br>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  | 36,773           |                        |                    | 25,257           |                        |                    |
|  | <u>1,258,908</u> | <u>1,000,043</u>       | <u>3</u>           | <u>1,247,392</u> | <u>1,013,027</u>       | <u>3</u>           |
| 2. Pitsanulok Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.909 Moo 3, Aranyik Sub-district<br>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<br>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  | 97,648           |                        |                    | 93,168           |                        |                    |
|  | <u>1,207,525</u> | <u>850,612</u>         | <u>3</u>           | <u>1,203,045</u> | <u>845,161</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 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Leasehold right on lands and ownership on buildings</b>                           |                  |                        |                    |                  |                        |                    |
| 1. Amatanakorn Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.700/75 Moo 5, Klongtamru Sub-district<br>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<br>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  | 55,933           |                        |                    | 14,246           |                        |                    |
|  | <u>1,582,240</u> | <u>2,259,566</u>       | <u>7</u>           | <u>1,540,553</u> | <u>1,951,463</u>       | <u>6</u>           |
| 2. Petchaboon Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.929 Moo 2, Sa-Deang Sub-district<br>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<br>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  | 27,383           |                        |                    | 26,516           |                        |                    |
|  | <u>733,434</u>   | <u>912,342</u>         | <u>3</u>           | <u>732,567</u>   | <u>835,344</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 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Leasehold right on lands and ownership on buildings (Cont'd)</b>                                |                  |                        |                    |                  |                        |                    |
| 3. Lumlukka Klong 6 Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.75 Moo 5, Bungkumploy Sub-district<br>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<br>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  |                  | 6,394                  |                    |                  | 5,748                  |                    |
|  | 526,039          | 568,388                | 2                  | 525,393          | 572,052                | 2                  |
| 4. Sena Project  |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.49 Moo 1, Highway No.3263<br>Bangnomko Sub-district, Sena District<br>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<br>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  |                  | 4,978                  |                    |                  | 3,035                  |                    |
|  | 398,653          | 355,024                | 1                  | 396,710          | 327,000                | 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 28 February 2019**

|  | 2019             |                        |                    | 2018             |                        |                    |
|--|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|  | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| <b>Leasehold right on lands and ownership on buildings (Cont'd)</b>  |                  |                        |                    |                  |                        |                    |
| 5. Bangpoo Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.2502 Moo 3, Sukhumvit Road,<br>Bangpoo-mai Sub-district, Mueng Samutprakarn District,<br>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<br>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  | 5,249            |                        |                    | 5,030            |                        |                    |
|  | <u>655,574</u>   | <u>736,095</u>         | <u>2</u>           | <u>655,355</u>   | <u>766,216</u>         | <u>2</u>           |
| 6. Rangsit-Nakornnayok Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.90 Moo 2, Rangsit-Nakornnayok Road,<br>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<br>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  | 11,686           |                        |                    | 8,942            |                        |                    |
|  | <u>674,574</u>   | <u>618,954</u>         | <u>2</u>           | <u>671,830</u>   | <u>634,018</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 2019**

|   | 2019             |                        |                    | 2018             |                        |                    |
|---|------------------|------------------------|--------------------|------------------|------------------------|--------------------|
|   | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value | Cost<br>Baht'000 | Fair value<br>Baht'000 | % of<br>fair value |
| <b>Type of investments (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Investments in properties (Cont'd)</b>   |                  |                        |                    |                  |                        |                    |
| <b>Leasehold right on land and buildings</b>  |                  |                        |                    |                  |                        |                    |
| 1. Rama I Project   |                  |                        |                    |                  |                        |                    |
| <u>Location</u> No.831 Rama I Road, Wangmai Sub-district<br>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,<br>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   | 64,415           |                        |                    | 58,199           |                        |                    |
|   | 1,170,381        | 811,814                | 3                  | 1,164,165        | 827,032                | 3                  |
| <b>Total investments in properties</b>  | 28,052,829       | 30,723,238             | 97                 | 27,928,899       | 29,854,108             | 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 28 February 2019**

|  | 2019              |                        |                    |               | 2018              |                        |                    |               |
|--|-------------------|------------------------|--------------------|---------------|-------------------|------------------------|--------------------|---------------|
|  | Cost<br>Baht'000  | Fair value<br>Baht'000 | % of<br>fair value | Maturity      | Cost<br>Baht'000  | Fair value<br>Baht'000 | % of<br>fair value | Maturity      |
| <b>Type of investments (Cont'd)</b>    |                   |                        |                    |               |                   |                        |                    |               |
| <b>Investments in securities</b>       |                   |                        |                    |               |                   |                        |                    |               |
| Government bonds                       |                   |                        |                    |               |                   |                        |                    |               |
| Bank of Thailand: BOT 17/48/92D        |                   |                        |                    |               | 199,386           | 199,994                | 1                  | 2 March 2018  |
| Bank of Thailand: BOT 17/49/91D        |                   |                        |                    |               | 109,664           | 109,974                | -                  | 8 March 2018  |
| Bank of Thailand: BOT 18/2/91D         |                   |                        |                    |               | 149,588           | 149,816                | 1                  | 12 April 2018 |
| Bank of Thailand: BOT 18/4/91D         |                   |                        |                    |               | 199,408           | 199,649                | 1                  | 26 April 2018 |
| Bank of Thailand: BOT 18/5/91D         |                   |                        |                    |               | 59,824            | 59,878                 | -                  | 3 May 2018    |
| Bank of Thailand: BOT 18/8/91D         |                   |                        |                    |               | 79,775            | 79,792                 | -                  | 24 May 2018   |
| 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   |                   |                        |                    |               |
| <b>Total investments in securities</b> | <b>936,355</b>    | <b>937,696</b>         | <b>3</b>           |               | <b>797,645</b>    | <b>799,103</b>         | <b>3</b>           |               |
| <b>Total investments</b>               | <b>28,989,184</b> | <b>31,660,934</b>      | <b>100</b>         |               | <b>28,726,544</b> | <b>30,653,211</b>      | <b>100</b>         |               |

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 2019**

|  | <b>Notes</b> | <b>2019</b><br><b>Baht</b> | <b>2018</b><br><b>Baht</b> |
|--|--------------|----------------------------|----------------------------|
| <b>Investment income</b>                               |              |                            |                            |
| Rental and service income                              |              | 3,054,598,965              | 2,987,774,441              |
| Interest income  |              | 16,732,195                 | 15,919,101                 |
| Other income   |              | 26,995                     | 1,180,756                  |
| <b>Total income</b>                                    |              | <b>3,071,358,155</b>       | <b>3,004,874,298</b>       |
| <b>Expenses</b>  |              |                            |                            |
| Management fee   | 13, 14       | 15,079,705                 | 15,395,119                 |
| Trustee fee  | 13           | 2,915,139                  | 2,904,927                  |
| Registrar fee  | 13, 14       | 4,372,709                  | 4,357,390                  |
| Property management fee                                | 13, 14       | 269,551,407                | 270,742,290                |
| Professional fee                                       |              | 1,674,200                  | 1,676,286                  |
| Operating expenses                                     | 13           | 321,552,347                | 325,887,469                |
| Ground lease payment                                   |              | 48,487,656                 | 48,369,874                 |
| Other expenses   | 13           | 4,456,695                  | 7,079,852                  |
| <b>Total expenses</b>                                  |              | <b>668,089,858</b>         | <b>676,413,207</b>         |
| <b>Net investment income before financial expenses</b> |              | <b>2,403,268,297</b>       | <b>2,328,461,091</b>       |
| <b>Financial expenses</b>                              |              |                            |                            |
| Interest expenses                                      |              | 66,476,353                 | 74,234,675                 |
| <b>Net investment income</b>                           |              | <b>2,336,791,944</b>       | <b>2,254,226,416</b>       |
| <b>Net gain from investments</b>                       |              |                            |                            |
| Net unrealised gain from investments valuation         | 6            | 745,083,856                | 562,699,016                |
| <b>Total net gain from investments</b>                 |              | <b>745,083,856</b>         | <b>562,699,016</b>         |
| <b>Increase in net assets from operations</b>          |              | <b>3,081,875,800</b>       | <b>2,816,925,432</b>       |

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 2019**

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|  | <b>Notes</b> | <b>2019<br/>Baht</b>         | <b>2018<br/>Baht</b>         |
|--|--------------|------------------------------|------------------------------|
| <b>Increase in net assets from operation during the year</b> |              |                              |                              |
| Net investment income  |              | 2,336,791,944                | 2,254,226,416                |
| Net unrealised gain from investments valuation               |              | <u>745,083,856</u>           | <u>562,699,016</u>           |
| <b>Net increase in net assets from operations</b>            |              | 3,081,875,800                | 2,816,925,432                |
| Dividend payment   | 11, 12       | <u>(2,103,087,177)</u>       | <u>(2,003,518,935)</u>       |
| <b>Increase in net assets during the year</b>                |              | 978,788,623                  | 813,406,497                  |
| Net assets at the beginning of the year                      |              | <u>28,400,271,811</u>        | <u>27,586,865,314</u>        |
| <b>Net assets at the end of the year</b>                     |              | <u><u>29,379,060,434</u></u> | <u><u>28,400,271,811</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 2019**

|   | <b>Notes</b> | <b>2019<br/>Baht</b>      | <b>2018<br/>Baht</b>      |
|---|--------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>   |              |                           |                           |
| Increase in net assets from operations  |              | 3,081,875,800             | 2,816,925,432             |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by (used in) operating activities: |              |                           |                           |
| Purchase of investments in properties   |              | (123,930,256)             | (120,560,088)             |
| Purchases of investments in securities  |              | (3,707,186,039)           | (3,249,753,191)           |
| Disposal of investments in securities   |              | 3,580,000,000             | 3,129,000,000             |
| Decrease (increase) in rental receivables   |              | 35,703,819                | (7,394,143)               |
| Decrease (increase) in deferred expenses  |              | (103,701)                 | 1,954,376                 |
| Increase in other assets  |              | (6,841,521)               | (858,815)                 |
| Increase in other accounts payable  |              | 1,276,392                 | 41,391,578                |
| Increase (decrease) in rental income received in advance  |              | (4,302,816)               | 15,936,703                |
| Increase in deposits received from customers  |              | 14,256,931                | 34,133,952                |
| Increase in accrued expenses  |              | 16,201,176                | 21,615,833                |
| Increase (decrease) in withholding tax payable  |              | 559,251                   | (145,726)                 |
| Interest income   |              | (16,732,195)              | (15,919,101)              |
| Bad debt expense  |              | (8,883)                   | 1,496,882                 |
| Interest expenses   |              | 66,476,353                | 74,234,675                |
| Interest received   |              | 5,298,227                 | 6,215,885                 |
| Net unrealised gain from investment valuation   |              | (745,083,856)             | (562,699,016)             |
| Net cash provided by operating activities   |              | <u>2,197,458,682</u>      | <u>2,185,575,236</u>      |
| <b>Cash flows from financing activities</b>   |              |                           |                           |
| Proceeds from borrowing   |              | -                         | 2,450,000,000             |
| Payment of borrowing  |              | -                         | (2,591,256,415)           |
| Dividend payment  | 11, 12       | (2,103,087,177)           | (2,003,518,935)           |
| Interest paid   |              | (65,058,642)              | (70,440,294)              |
| Net cash used in financing activities   |              | <u>(2,168,145,819)</u>    | <u>(2,215,215,644)</u>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |              | 29,312,863                | (29,640,408)              |
| Cash and cash equivalents at the beginning of the year  |              | <u>555,313,260</u>        | <u>584,953,668</u>        |
| <b>Cash and cash equivalents at the end of the year</b>   |              | <u><u>584,626,123</u></u> | <u><u>555,313,260</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 2019**

|  | 2019       | 2018       | 2017       | 2016       | 2015       |
|--|------------|------------|------------|------------|------------|
|  | Baht       | Baht       | Baht       | Baht       | Baht       |
| <b>Information on operating results (per unit)</b>   |            |            |            |            |            |
| Net asset value at the beginning of the year   | 12.1509    | 11.8029    | 11.4502    | 11.2419    | 11.2514    |
| <u>Add</u> Net investment income   | 0.9998     | 0.9645     | 0.9435     | 0.8650     | 0.7434     |
| Net unrealised gain from investments valuation   | 0.3188     | 0.2407     | 0.2724     | 0.1902     | 0.0597     |
| <u>Less</u> Reduction of the capital   | -          | -          | -          | (0.0332)   | (0.0650)   |
| Dividend payment   | (0.8998)   | (0.8572)   | (0.8632)   | (0.8137)   | (0.7476)   |
| Net asset value at the end of year   | 12.5697    | 12.1509    | 11.8029    | 11.4502    | 11.2419    |
| <b>Ratio of net profit to average net asset value</b>  |            |            |            |            |            |
| <b>during the year (%)</b>   | 10.72      | 10.09      | 10.49      | 9.33       | 7.15       |
| <b>Significant financial ratios and additional significant information</b>   |            |            |            |            |            |
| Net asset value at the end of the year (Baht'000)  | 29,379,060 | 28,400,272 | 27,586,865 | 26,762,553 | 26,275,503 |
| Ratio of total expenses to average net assets during the year (%)  | 2.32       | 2.42       | 2.46       | 2.87       | 3.55       |
| Ratio of investment income to average net asset value during the year (%)  | 10.68      | 10.77      | 10.88      | 10.83      | 10.49      |
| Ratio of weighted average investment purchases and sales during the year to average net asset value during the year (%)* | 25.78      | 23.28      | 16.98      | 23.65      | 21.20      |
| Average net asset value during the year (Baht'000)   | 28,747,868 | 27,908,934 | 27,090,911 | 26,440,923 | 26,263,661 |

**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 28 February 2019, 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 26 April 2019.

**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 Revised accounting standards, revised financial reporting standards, and related interpretations**

2.2.1 Revised accounting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Fund.

TAS 7 (revised 2017)                      Statement of cash flows

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

The Fund's management assessed and considered that the above revised standard does not have material impact on the Fund.

2.2.2 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2019 which have significant changes and are relevant to the Fund.

2.2.2.1 The FAP has announced new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Fund has not yet adopted this revised standard.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- 1) identify contracts with customers
- 2) identify the performance obligations in the contract
- 3) determine the transaction price of the contract
- 4) allocate the transaction price to each of the separate performance obligations, and
- 5) recognise the revenue as each performance obligation is satisfied.

Key change to current practice is new standard requires more disclosures.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

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

**2. Accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

2.2.2 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2019 which have significant changes and are relevant to the Fund. (Cont'd)

2.2.2.2 Revised accounting standards will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Group. The Group has not yet adopt these standards.

TAS 40 (revised 2018)      Investment Property

TAS 40, the amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The Fund's management assessed and considered that the above revised standard does not have material impact on the Fund.

2.2.3 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2020 which have significant changes and are relevant to the Fund.

2.2.3.1 Revised accounting standards and financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Fund. The Fund has not yet adopted this revised standard.

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

The above new standards and interpretations will supersede the following standards:

TAS 101      Bad and Doubtful Debts  
TAS 106      Accounting for Investment Companies  
TAS 107      Financial Instruments: Disclosure and presentation

**2. Accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

2.2.3 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2020 which have significant changes and are relevant to the Fund. (Cont'd)

2.2.3.1 Revised accounting standards and financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Fund. The Fund has not yet adopted this revised standard. (Cont'd)

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

Classification and measurement:

The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.

Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.

Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.

Derivatives are classified and measured at fair value through profit or loss.

**2. Accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

2.2.3 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2020 which have significant changes and are relevant to the Fund. (Cont'd)

2.2.3.1 Revised accounting standards and financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Fund. The Fund has not yet adopted this revised standard. (Cont'd)

The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

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

2.2.3.2 TFRS 16 Leases, the earlier application is permitted for entities that apply TFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard. The Fund has not yet adopted this revised standard.

The new standard will supersede the following standards:

TAS 17 Leases  
TFRIC 4 Determining whether an arrangement contains a lease  
TSIC 15 Operating leases - Incentives  
TSIC 27 Evaluating the substance of transactions in the legal form of a lease

TFRS16 Leases, a lessee shall recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**2. Accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

2.2.3 Revised accounting standards and financial reporting standards are effective for annual periods beginning on or after 1 January 2020 which have significant changes and are relevant to the Fund. (Cont'd)

2.2.3.2 TFRS 16 Leases, the earlier application is permitted for entities that apply TFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard. The Fund has not yet adopted this revised standard. (Cont'd)

Key changes to current practice are:

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

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

**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 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 (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 or sell assets to reduce debt, if any.

**6. Investment at fair value**

Movement in investments at fair value are summarised as follow:

|  | <b>Investments in<br/>properties<br/>Baht'000</b> | <b>Investments in<br/>securities<br/>Baht'000</b> | <b>Total<br/>Baht'000</b> |
|--|---|---|---------------------------|
| As at 28 February 2017                             | 29,170,969  | 668,119   | 29,839,088                |
| <u>Add</u> Purchase of investments                 | -   | 3,249,753   | 3,249,753                 |
| Renovations  | 120,560   | -   | 120,560                   |
| <u>Less</u> Maturity                               | -   | (3,118,889)                                       | (3,118,889)               |
| <u>Add</u> Unrealised gain<br>from valuation       | 562,579   | 120   | 562,699                   |
| As at 28 February 2018                             | <u>29,854,108</u>                                 | <u>799,103</u>                                    | <u>30,653,211</u>         |
| 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(loss)<br>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, total cost of investment in properties is Bath 28,053 million (2018: Bath 27,929 million) and total fair value of investment in property is Bath 30,723 million (2018: Bath 29,854 million).

**6. Investment at fair value (Cont'd)**

**Investments in properties**

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) 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 10,283 million was Baht 10,391 million. The unrealised gain from the assessment amounting to Baht 108 million was recorded 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 unrealised gain from the assessment amounting to Baht 637 million was recorded 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.

For the year ended 28 February 2018

On 31 August 2017, 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 10,093 million was Baht 10,263 million. The unrealised gain from the assessment amounting to Baht 170 million was recorded in the statement of operations on 31 August 2017. The Fund's management has assessed that the fair value as at 28 February 2018 is not significantly different from the fair value on appraisal date.

Subsequently, on 4 December 2017, 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 19,168 million was Baht 19,563 million. The unrealised gain from the assessment amounting to Baht 395 million was recorded in the statement of operations on 4 December 2017. The Fund's management has assessed that the fair value as at 28 February 2018 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 2019**

**7. Cash and cash equivalents**

As at 28 February 2019 and 2018, the Fund has the details of cash and cash equivalents as follows:

|   | 2019                  |                                 | 2018                  |                                 |
|---|-----------------------|---------------------------------|-----------------------|---------------------------------|
|   | Principal<br>Baht'000 | Interest rate<br>per annum<br>% | Principal<br>Baht'000 | Interest rate<br>per annum<br>% |
| <b>Cash on hand and cash at bank</b>                                    |                       |                                 |                       |                                 |
| Cash on hand  | 7,976                 | -                               | 5,811                 | -                               |
| Hong Kong and Shanghai<br>Banking Corporation Limited<br>Saving account | 53,462                | 0.55                            | 51,953                | 0.55                            |
| Citibank N.A. Bangkok Branch<br>Saving account                          | 2,586                 | 0.50                            | 2,573                 | 0.50                            |
| Kasikorn Bank Public Company<br>Limited<br>Current account              | 3,806                 | -                               | 7,059                 | -                               |
| Siam Commercial Bank Public<br>Company Limited<br>Current account       | 51,354                | -                               | 63,412                | -                               |
| Krung Thai Bank Public Company<br>Limited<br>Saving account             | 413                   | 0.375                           | 412                   | 0.375                           |
| CIMB Thai Bank Public<br>Company Limited<br>Saving account              | 1                     | 0.75                            | 1                     | 0.75                            |
| United Overseas Bank<br>Saving account                                  | 465,028               | 0.75                            | 424,092               | 0.90                            |
|   | <u>584,626</u>        |                                 | <u>555,313</u>        |                                 |

**8. Rental receivables, net**

|   | 2019<br>Baht'000 | 2018<br>Baht'000 |
|---|------------------|------------------|
| Rental receivables                      | 439,963          | 475,667          |
| <u>Less</u> Allowance for doubtful debt | <u>(13,907)</u>  | <u>(13,916)</u>  |
|   | <u>426,056</u>   | <u>461,751</u>   |

Outstanding rental receivables can be analysed as follows:

|   | 2019<br>Baht'000 | 2018<br>Baht'000 |
|---|------------------|------------------|
| Up to 3 months                          | 418,253          | 451,956          |
| 3 - 6 months                            | 5,797            | 6,696            |
| 6 - 12 months                           | 4,591            | 12,954           |
| Over 12 months                          | 11,322           | 4,061            |
|   | 439,963          | 475,667          |
| <u>Less</u> Allowance for doubtful debt | <u>(13,907)</u>  | <u>(13,916)</u>  |
|   | <u>426,056</u>   | <u>461,751</u>   |

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**9. Deferred expenses**

Deferred expenses comprised of expenses as follows:

|                               | <b>2019</b><br><b>Baht'000</b> | <b>2018</b><br><b>Baht'000</b> |
|-------------------------------|--------------------------------|--------------------------------|
| Deferred land rental expenses | 26,265                         | 26,151                         |
| Other prepayments             | 79                             | 89                             |
|                               | <u>26,344</u>                  | <u>26,240</u>                  |

**10. Borrowing**

|                   | <b>2019</b><br><b>Baht'000</b> | <b>2018</b><br><b>Baht'000</b> |
|-------------------|--------------------------------|--------------------------------|
| Beginning balance | 2,450,000                      | 2,591,256                      |
| Addition          | -                              | 2,450,000                      |
| Repayment         | -                              | (2,591,256)                    |
| Ending balance    | <u>2,450,000</u>               | <u>2,450,000</u>               |

Maturity of borrowing is as follows:

|                | <b>2019</b><br><b>Baht'000</b> | <b>2018</b><br><b>Baht'000</b> |
|----------------|--------------------------------|--------------------------------|
| 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% (2018: BIBOR+1.075%) and will be repayable within December 2022.

BIBOR is Bangkok Interbank Offer Rate of CIMB Thai Bank Public Company Limited.

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:

|   | <b>2019</b><br><b>Baht'000</b> | <b>2018</b><br><b>Baht'000</b> |
|---|--------------------------------|--------------------------------|
| Beginning balance                                 | 2,906,597                      | 2,093,191                      |
| <u>Add</u> Net investment income                  | 2,336,792                      | 2,254,226                      |
| Net unrealised gain from investments valuation    | 745,084                        | 562,699                        |
| <u>Less</u> Dividend paid to unitholder (Note 12) | (2,103,087)                    | (2,003,519)                    |
| Ending balance                                    | <u>3,885,386</u>               | <u>2,906,597</u>               |

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**12. Dividend**

The investment committee approved dividend as follows:

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                |
|     |                                      |                 |  |                  |               | 2,103              |

The details of dividends for the year ended 28 February 2018 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 2016 to 28 February 2017  | 11 April 2017   | 28 April 2017                          | 17 May 2017      | 0.2148        | 502                |
| 2   | 1 March 2017 to 31 May 2017          | 14 July 2017    | 31 July 2017                           | 16 August 2017   | 0.2129        | 498                |
| 3   | 1 June 2017 to 31 August 2017        | 16 October 2017 | 31 October 2017                        | 15 November 2017 | 0.2150        | 503                |
| 4   | 1 September 2017 to 30 November 2017 | 15 January 2018 | 31 January 2018                        | 15 February 2018 | 0.2145        | 501                |
|     |                                      |                 |  |                  |               | 2,004              |

**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 28 February 2019 and 2018, 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:

|  | <b>2019</b>     | <b>2018</b>     |
|--|-----------------|-----------------|
|  | <b>Baht'000</b> | <b>Baht'000</b> |
| Cleaning, security & store used and supplies expense | 100,094         | 100,878         |
| Insurance expense                                    | 28,713          | 30,485          |
| Repair and maintenance expense                       | 28,480          | 27,886          |
| Utilities expense                                    | 133,582         | 133,880         |
| Sales promotion                                      | 18,554          | 16,746          |
| Asset appraisal expense                              | 1,848           | 1,656           |
| Property tax   | 7,342           | 11,385          |
| Annual inspection fee                                | 2,939           | 2,971           |
|  | <u>321,552</u>  | <u>325,887</u>  |

**Other expenses**

Other expenses comprised of:

|                                   | <b>2019</b>     | <b>2018</b>     |
|-----------------------------------|-----------------|-----------------|
|                                   | <b>Baht'000</b> | <b>Baht'000</b> |
| Listing expense                   | 103             | 105             |
| Bank charge                       | 84              | 85              |
| Provision of doubtful accounts    | (9)             | 1,497           |
| Accounting and tax management fee | 737             | -               |
| Site visit expense                | 401             | 879             |
| Legal service fee                 | 388             | 1,483           |
| Common area fee                   | 891             | 880             |
| Other expense                     | 1,862           | 2,151           |
|                                   | <u>4,457</u>    | <u>7,080</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.

The following significant transactions were carried out with related parties:

**a) Statement of operations**

|                         | <b>2019</b>     | <b>2018</b>     |
|-------------------------|-----------------|-----------------|
|                         | <b>Baht'000</b> | <b>Baht'000</b> |
| The Property Manager:   |                 |                 |
| Rental income           | 759,692         | 774,475         |
| Property management fee | 269,551         | 270,742         |
| The Management Company: |                 |                 |
| Management fee          | 15,080          | 15,395          |
| Registrar fee           | 4,373           | 4,357           |

**b) Statement of assets and liabilities**

|                         | <b>2019</b>     | <b>2018</b>     |
|-------------------------|-----------------|-----------------|
|                         | <b>Baht'000</b> | <b>Baht'000</b> |
| The Property Manager:   |                 |                 |
| Rental receivable       | 345,470         | 383,218         |
| Other accounts payable  | 3,248           | 2,486           |
| Accrued expenses        | 51,331          | 49,125          |
| The Management Company: |                 |                 |
| Accrued expenses        | 1,221           | 1,218           |

**15. Financial risk management**

As at 28 February 2019, 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 28 February 2019 as presented in the financial statements approximate to their fair values.

**16. Information regarding disposal and purchase of investments**

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. (During year ended 28 February 2018, the Fund has purchased and disposed investments amounting to Baht 6,499 million representing 23.28% 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.



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**18. Commitments**

Operation lease commitments

As at 28 February 2019 and 2018, the Fund has long-term commitments in the respect of land and parking area rent. The future minimum lease payment commitments are as follows:

|                                      | <b>2019</b>     | <b>2018</b>     |
|--------------------------------------|-----------------|-----------------|
|                                      | <b>Baht'000</b> | <b>Baht'000</b> |
| Up to 1 year                         | 43,759          | 38,680          |
| More than 1 year, but within 5 years | 178,299         | 173,899         |
| Over 5 years                         | 613,078         | 658,409         |
|                                      | <u>835,136</u>  | <u>870,988</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 2019 and 2018, the Fund had the following assets that were measured at fair value using different levels of inputs as follows:

|                               | <b>(Unit: Baht'000)</b> |                |                   |                   |
|-------------------------------|-------------------------|----------------|-------------------|-------------------|
|                               | <b>Level 1</b>          | <b>Level 2</b> | <b>Level 3</b>    | <b>Total</b>      |
| <b>As of 28 February 2019</b> |                         |                |                   |                   |
| 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> |
|                               |                         |                |                   |                   |
|                               | <b>(Unit: Baht'000)</b> |                |                   |                   |
|                               | <b>Level 1</b>          | <b>Level 2</b> | <b>Level 3</b>    | <b>Total</b>      |
| <b>As of 28 February 2018</b> |                         |                |                   |                   |
| Investment in properties      | -                       | -              | 29,854,108        | 29,854,108        |
| Investment in securities      | -                       | 799,103        | -                 | 799,103           |
|                               | <u>-</u>                | <u>799,103</u> | <u>29,854,108</u> | <u>30,653,211</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

|   | Impact on fair value<br>increase (decrease) |                  |
|---|---|------------------|
|   | 2019<br>Baht'000                            | 2018<br>Baht'000 |
| <b>Discount rate</b>                          |   |                  |
| Discount rate, decrease of 0.50 percent       | 1,031,000                                   | 1,080,000        |
| Discount rate, increase of 0.50 percent       | (989,000)                                   | (1,027,000)      |
| <b>Capitalisation rate</b>                    |   |                  |
| Capitalisation rate, decrease of 0.50 percent | 701,000                                     | 896,000          |
| Capitalisation rate, increase of 0.50 percent | (628,000)                                   | (772,000)        |
| <b>Rental growth rate</b>                     |   |                  |
| Rental growth rate, decrease of 0.50 percent  | (844,000)                                   | (716,000)        |
| Rental growth rate, increase of 0.50 percent  | 891,000                                     | 752,000          |

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

|   | 2019<br>Baht'000  | 2018<br>Baht'000  |
|---|-------------------|-------------------|
| Beginning balance                           | 30,653,211        | 29,839,088        |
| Increase                                    | 3,831,116         | 3,370,313         |
| Decrease                                    | (3,568,477)       | (3,118,889)       |
| Net realised gain from investment valuation | 745,084           | 562,699           |
| Ending balance                              | <u>31,660,934</u> | <u>30,653,211</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 2019 and 2018 is below:

|                               | <b>(Unit: Baht'000)</b> |                |                |              |
|-------------------------------|-------------------------|----------------|----------------|--------------|
|                               | <b>Level 1</b>          | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>As of 28 February 2019</b> |                         |                |                |              |
| Borrowing                     | -                       | 2,450,000      | -              | 2,450,000    |
|                               | -                       | 2,450,000      | -              | 2,450,000    |
| <b>As of 28 February 2018</b> |                         |                |                |              |
| 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**

On 11 April 2019, the Board of Investment Committee passed the resolution to pay the 28th dividend from the operation between 1 December 2018 to 28 February 2019 at the rate of Baht 0.2249 per unit totalling amount approximately at Baht 525.65 million. The payment date will be on 15 May 2019.