(Unofficial Translation)

This translation is for the convenience of those unfamiliar with the Thai language.

Please refer to the Thai text for the official version

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Accounting Standard for Property Fund, Real Estate Investment Trust, Infrastructure Fund and Infrastructure Trust

(Amendment 1)

(Unofficial Translation)

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Introduction

At present, an entity that solely operates an investment business is required to comply with Accounting Standard No.106 Re: Accounting for Investment Entities, which has been in effect since B.E.2543. Such accounting standards have been prepared in accordance with accounting and auditing practices for businesses operating in the field of investment as accepted in the United States (Auditing and Accounting Guide for Audits of Investment Companies – Proposed 1998) of AICPA (American Institution of Certified Public Accountant). This may not cover current transactions that have greatly evolved since B.E. 2543, including Property Funds, Real Estate Investment Trusts, Infrastructure Funds, and Infrastructure Trusts. In addition, Thailand uses financial reporting standards issued by the Thai Federation of Accounting Professions under the Royal Patronage of His Majesty the King which is consistent with the International Financial Reporting Standards (IFRS). Accounting practices in Thailand must also comply with IFRS, while Accounting Standard No.106 Re: Accounting for Investment Entities will be terminated when the Financial Reporting Standard No. 9 "Financial Instruments" comes into effect on 1 January B.E.2563. Therefore, the Association of Investment Management Companies (or AIMC) has formulated the accounting standard for Property Funds, Real Estate Investment Trusts, Infrastructure Funds and Infrastructure Trusts ("Accounting Standard") which shall be used to book transactions, determine valuations, disclosures for financial reporting, in consideration of the quality, usefulness, and essence of the financial information as required by the Thai Federation of Accounting Professions under the Royal Patronage of His Majesty the King (the "Federation of Accounting Professions" or TFAC). As such, accounting standards and financial reporting standards in this Accounting Standard means a financial reporting standard issued by the Federation of Accounting Professions in effect during the accounting period of the financial statements.

Purpose

1. This Accounting Standard sets the accounting practice and financial information disclosure in the preparation of financial statements to present information useful for decision-making and stakeholders using such financial reports.

Scope

2. This Accounting Standard shall apply to Property Funds, Real Estate Investment Trusts, Infrastructure Funds and Infrastructure Trusts as defined by the Notification of the Office of the Securities and Exchange Commission (this excludes Property Funds, Real Estate

Investment Trusts, Infrastructure Funds and Infrastructure Trusts that have their own specific accounting standard requirements) (hereinafter referred to as "Entity"). This document omits references to other financial reporting standards issued by TFAC in areas this Accounting Standard has already covered. For matters not covered by this Accounting Standard, entities must follow standards prescribed by TFAC which is in effect during the accounting period.

Financial Reporting

Financial statements / reports

3. Complete financial statement of Entity shall include following details:
    3.1 Statement of financial position
    3.2 Profit and loss statement
    3.3 Change of net asset statement
    3.4 Cash flow statement
    3.5. Notes to financial statement
    3.6. Details of investments

Presentation format for financial reports as described in this Accounting Standard are compiled together in Appendix C "Mandatory Items in Fund Financial Statements"

If the nature or status of the business does not contain items that needs to be disclosed according to requirements, those items can be omitted.

The Entity may disclose additional information to mention special circumstances and ensure that the financial statement has been proposed truthfully in all respects.

Financial Instruments

The initial recognition of transaction

4. An Entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument (Please see Appendix A paragraph A1 and A2 of this Accounting Standard). When an entity first recognizes a financial asset or liability, it shall classify it in accordance with paragraphs 19 and 20 and determine valuations pursuant to paragraph 21 of this Accounting Standard.

Purchase or sale of financial assets according to accepted practice

5. Purchase or sale of financial assets according to accepted practice shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. (Appendix A paragraph A3-A6 of this Accounting Standard).

Derecognition of financial assets

6. An Entity shall derecognize a financial asset when, and only when:
   6.1 The contractual rights to the cash flows from the financial asset expire, or
   6.2 It transfers the financial asset as set out in paragraphs 7 and 8 and the transfer qualifies for derecognition in accordance with paragraph 9 of this Accounting Standard (Please see paragraph 5 for sale of financial assets according to accepted practice).
7. An Entity transfers out a financial asset under any one of the following conditions:
   7.1 An Entity transfers the contractual rights to receive the cash flows of the financial asset, or
   7.2 An Entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in paragraph 8 of this Accounting Standard.
8. When an Entity retains the contractual rights to receive the cash flows of a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'ultimate recipient'), the Entity treats the transaction as a transfer of a financial asset if all three of the following conditions are met.
   8.1 The Entity has no obligation to pay any amount to the ultimate recipient if the Entity did not receive such equivalent amount from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
   8.2 The Entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the ultimate recipient for the obligation to pay them cash flows.
   8.3 The Entity has an obligation to remit any cash flows it collects on behalf of the ultimate recipient without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in Accounting Standard No.7 "Statement of Cash Flows") during the short settlement period from the collection date to the date of required remittance to the ultimate

recipient, and interest earned on such investments is passed on to the ultimate recipient.

9. When an Entity transfers a financial asset (Please see paragraph 8), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

    9.1 If the Entity transfers substantially all the risks and rewards of ownership of the financial asset, the Entity shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

    9.2 If the Entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the financial asset.

    9.3 If the Entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Entity shall determine whether it has retained control of the financial asset. In this case:

        9.3.1 If the Entity has not retained control, it shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

        9.3.2 If the Entity has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

10. The transfer of risks and rewards (please see paragraph 9 of this Accounting Standard) is evaluated by comparing the Entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. An Entity has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g., because the Entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sale price plus a lender's return). An Entity has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g., because the Entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred a fully proportionate share of the cash flows from a larger financial asset in an arrangement, such as a loan sub-participation, that meets the conditions in paragraph 8 of this Accounting Standard).

11. Often it will be obvious whether the Entity has transferred or retained substantially all risks and rewards of ownership and there will be no need to perform any computations. In other cases, it will be necessary to compute and compare the Entity's exposure to the variability in the present value of the future net cash flows before and after the transfer. The computation and comparison are made using as the discount rate an appropriate current market interest rate. All reasonably possible variability in net cash flows is considered, with greater weight being given to those outcomes that are more likely to occur.
12. Whether the Entity has retained control (Please see paragraph 9.3 of this Accounting Standard) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Entity has not retained control. In all other cases, the Entity has retained control.

Transfers that qualify for derecognition

13. If an Entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.
14. If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.
15. On derecognition of a financial asset in its entirety, the Entity shall recognize the following difference in profit or loss:
    15.1 The carrying amount (measured at the date of derecognition) and
    15.2 The consideration received (including any new asset obtained less any new liability assumed)

All transfers

16. If a transferred asset continues to be recognized, the asset and the associated liability shall not be offset. Similarly, the entity shall not offset any income arising from the transferred asset with any expense incurred on the associated liability. (Please see paragraph 42 of Accounting Standard No.32 “Mandatory items for financial instrument”).
17. If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows:
    17.1 If the transferee has the right by contract or custom to sell or repledge the collateral, then the transferor shall reclassify that asset in its statement of financial position (e.g., as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets.
    17.2 If the transferee sells collateral pledged to it, it shall recognize the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral.
    17.3 If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall derecognize the collateral, and the transferee shall recognize the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognize its obligation to return the collateral.
    17.4 Except as provided in 17.3 above, the transferor shall continue to carry the collateral as its asset, and the transferee shall not recognize the collateral as an asset.

Derecognition of financial liabilities

18. An Entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e., when the obligation specified in the contract is discharged, cancelled, or expired.

Classification

Classification of financial assets

19. All financial assets shall be classified as financial assets that must be shown at fair value, through profit and loss.

Classification of financial liabilities

20. An Entity shall classify all financial liabilities as financial liabilities that are gradually amortized, except for financial liabilities that must be valued through profit and loss, which include liabilities associated with derivatives which must be shown at fair value.

Valuation

Valuation upon initial recognition

21. As of the initial recognition date, the Entity shall value:
    21.1 A financial asset and financial liability at fair value, through profit and loss. For any direct costs related to transaction to acquire the financial asset or issue a financial asset or financial liability, the Entity shall promptly book such profit or loss when it occurs.
    21.2 A financial liability which is not measured at fair value through profit or loss, shall deduct direct transaction costs related to the issuance of that financial liability.

Subsequent valuations of the financial assets

22. After initial recognition, the Entity shall refresh the financial asset's fair value through profit and loss (Please see paragraph 24-58 of this Accounting Standard).

Subsequent measurement of financial liabilities

23. After initial recognition, the fair value of financial liabilities which are amortized must recognize interest expenses based on the effective interest rate method. For financial liabilities measured at fair value through profit or loss, the Entity shall determine the fair value of the financial liability according to paragraph 24-56 and Appendix A paragraph A8 of this Accounting Standard.

Determining the fair value

24. The objective of a valuation is to estimate the price for an orderly transaction to sell an asset or to transfer a liability between market participants on the valuation date that reflects current market conditions. Fair valuation is must be based on the following:
    24.1 The financial asset and liability being valued (consistently with its unit of account)
    24.2 Main market/bourse (or the market providing the best value) for the asset or liability.
    24.3 The valuation technique(s) is appropriate for the valuation, considering availability of data for assumptions used to price the asset or liability and the data type in the fair value hierarchy.

25. When determining the fair value of a financial asset or liability containing a premium or discount, consider these special aspects:
    25.1 When a premium or discount is embedded in a financial asset or liability, the Entity shall include such premium and discount in the fair value measurement. For example, the Entity made a payment in return for acquiring an equity investment which also gave the Entity entitlement to take over that business. For this reason, the Entity may have needed to pay a premium over the actual fair value of the equity investment under normal market conditions. As such, the Entity must book that premium as part of the normal valuation process. On the other hand, if the Entity sells a financial asset under special conditions and unusual market trading volume, therefore causing the sale to be transacted at prices above or below normal market prices, the Entity must include any premium or discount above or below market price into the valuation.
    25.2 When a premium or discount is not embedded in a financial asset or liability, the Entity shall recognize the premium and discount as a profit or loss instantly as it occurs. For example, a discount was caused by the Entity putting a large sell order that exceeds usual market volume for that instrument. The transaction had to be executed at an inferior selling price in order to make the sale successful (blockage factor). Hence, the Entity shall recognize the discount under this circumstance as part of profit or loss instantly when it incurs.
26. When deciding whether the valuation at initial recognition should equal the transaction price, the Entity shall take into account factors specific to the transaction and to the asset or liability. For example, the transaction price might not represent the fair value of an asset or a liability at initial recognition if any of the following conditions exist:
    26.1 The transaction is between related parties, although the price in a related party transaction may be used as an input into a fair value calculation if the Entity has evidence that the transaction was made at market terms.
    26.2 The transaction takes place under duress, or the seller is forced to accept the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty.
    26.3 The transaction was based on an accounting value, which differs from the valuation of an asset or liability based on fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the transaction (e.g., in a business merger), the transaction may include unstated rights and privileges

that are measured separately in accordance with another financial reporting standard, or the transaction price includes transaction costs.

26.4 The market in which the transaction takes place is different from the main market/bourse (or the market providing the best value). For example, those markets might be different if the Entity is a dealer that transacts with customers in the retail market, but the principal (or the market providing the best value) market for the exit transaction is with other dealers in the dealer market.

Valuation techniques

Mark-to-market

27. The mark-to-market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

28. For example, valuation techniques consistent with the mark-to-market approach often use market multiples derived from a comparable group. The multiples may be from a specific value within a range; the value being different depending on instruments compared. Selection of the proper multiple and period depends on discretion, using quantitative and qualitative factors applicable to the valuation method.

29. Valuation techniques consistent with the mark-to-market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark-quoted securities.

Income approach

30. Income approach converts future amounts (e.g., cash flow of income and expense) into a present value (i.e., discount) amount. When applying this approach, fair valuation will reflect the current market expectation of the future amount.

31. Those valuation techniques include, for example, the following:

31.1 Present value techniques (Please see paragraphs B12–B30 of financial reporting standard no.13 "Fair value measurement");

31.2 Option pricing models, such as the Black-Scholes-Merton formula or a binomial model (i.e., a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option; and

31.3 The multi-period excess earnings method, which is used to measure the fair value of some intangible assets.

Inputs used by valuation techniques

33. Valuation technique used to determine fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

34. Examples of observable market transactions for some asset and liability (such as financial instrument) include exchange markets, dealer markets, broker markets, and principal-to-principal market (Please see paragraph 34).

34. Examples of markets in which inputs might be observable for some assets and liabilities (e.g., financial instruments) include the following:

34.1 In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the Stock Exchange of Thailand.

34.2 Dealer markets. In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities, and physical assets (e.g., used equipment) for trade.

34.3 Brokered markets. In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the bid and asked prices of the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.

34.4 Principal-to-principal markets. In a principal-to-principal market, transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

35. The Entity shall select data inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability (Please see paragraphs 11 and 12 of financial reporting standard no.13 “Fair value measurement”) In some cases those characteristics result in the application of an adjustment, such as a premium or discount (e.g. a control premium or non-controlling interest discount). However, a fair valuation shall not incorporate a premium or discount that is inconsistent with the unit of account in the financial reporting standard that requires or permits the fair value measurement (see paragraphs 13 and 14 of financial reporting standard no.13 “Fair value measurement”). Premiums or discounts that reflect size as a characteristic of the Entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the Entity, as described in paragraph 42) rather than as a characteristic of the asset or liability (e.g. a control premium when measuring the fair value of a controlling interest) are not permitted in a fair valuation. In all cases, if there is a quoted price in an active market (i.e., a Level 1 input) for an asset or a liability, an Entity shall use that price without adjustment when measuring fair value, except as specified in paragraph 41 of this Accounting Standard.

<u>Inputs based on bid and ask prices</u>

36. Generally, the latest bid and ask prices at the measurement date constitutes fair value for the financial asset or liability.

    If an asset or liability measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (i.e. Level 1, 2 or 3; see paragraphs 38-49 of this Accounting Standard). The use of bid prices for asset positions and ask prices for liability positions is permitted but is not required.

37. This Accounting Standard does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical way to obtain fair value that falls within a bid-ask spread.

<u>Fair value hierarchy</u>

Level 1 inputs

38. Level 1 inputs are quoted prices (unadjusted) from active markets for identical assets or liabilities that the Entity can access at the measurement date.

39. A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph 41 of this Accounting Standard.

40. A Level 1 input will be available for many financial assets and financial liabilities, some of which might be trade in several active markets (e.g., on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:

    40.1 The main market for the asset or liability or, in the absence of a main market, the most favorable market for the asset or liability; and

    40.2 Whether the Entity can transact the asset or liability at the price in that market at the measurement date.

41. An Entity shall not make an adjustment to a Level 1 input except in the following circumstances:

    41.1 When an Entity holds a large quantity of similar (but not identical) assets or liabilities (e.g., debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (i.e. given the large number of similar assets or liabilities held by the Entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical measure, an Entity may compute fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g., matrix pricing). However, the use of an alternative pricing method results in a valuation that is categorized into a lower level in the fair value hierarchy.

    41.2 When a quoted price in an active market does not represent fair value on the measurement date, such as when a significant event occurs (such a principal-to-principal transaction, transaction in a brokered market, or price announcement) after the market had closed but before the valuation date. As such, the Entity shall establish and consistently apply a policy for handling those cases that might affect fair value measurements. However, if the quoted price is adjusted to reflect new information, the adjustment results in the valuation being categorized into a lower level of the fair value hierarchy.

42. If an Entity holds a position in a single asset or liability (including a position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability shall

be measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the Entity. That is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 inputs

43. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
44. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for all main features of the asset or liability. Level 2 inputs include the following:
    - 44.1 Quoted prices for similar assets or liabilities in active markets.
    - 44.2 Quoted prices for identical or similar assets or liabilities in markets that are not active
    - 44.3 Inputs other than quoted prices that are observable for the asset or liability, for example:
        - 44.3.1 Interest rates and yield curves observable at commonly quoted intervals;
        - 44.3.2 Implied volatilities; and
        - 44.3.3 Credit spreads
    - 44.4 Market-corroborated data
45. An adjustment to a Level 2 input that is significant to the overall valuation might result in a valuation being categorized into Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.
46. Examples of Level 2 inputs for particular assets and liabilities include the following:
    - 46.1 Receive-fixed, pay-variable interest rate swap based on the London Interbank Offered Rate (LIBOR) swap rate. A Level 2 input would be the LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap.
    - 46.2 Receive-fixed, pay-variable interest rate swap based on a yield curve denominated in a foreign currency. A Level 2 input would be the swap rate based on a yield curve denominated in a foreign currency that is observable at commonly quoted intervals for substantially the full term of the swap. That would be the case if the term of the swap is 10 years and that rate is observable at commonly quoted intervals for 9 years, provided that any reasonable extrapolation of the yield curve for year 10 would not significantly impact the valuation of the swap in its entirety.
    - 46.3 Receive-fixed, pay-variable interest rate swap based on a specific bank’s prime rate. A Level 2 input would be the prime rate derived through extrapolation if the

extrapolated values are corroborated by observable market data, for example, by correlation with an interest rate that is observable over substantially the full term of the swap.

46.4 Three-year option on exchange-traded shares. A Level 2 input would be the implied volatility for the shares derived through extrapolation to year 3 if both of the following conditions exist:

46.4.1 Prices for one-year and two-year options on the shares are observable

46.4.2 The extrapolated implied volatility of a three-year option is corroborated by observable market data for substantially the full term of the option.

In that case the implied volatility could be derived by extrapolating from the implied volatility of the one-year and two-year options on the shares and corroborated by the implied volatility for three-year options on comparable entities' shares, provided that a correlation with the one-year and two-year implied volatilities is established.

Level 3 inputs

47. Level 3 inputs are unobservable inputs for the asset or liability.

48. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

49. Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A valuation that does not include an adjustment for risk would not represent a fair value if market participants would include one when pricing the asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (e.g., when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the entity has determined that the transaction price or quoted price does not represent fair value, as described in paragraphs 49.1-49.11).

49.1 The fair value of an asset or a liability might be affected when there has been a significant decline in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). To determine whether, on the basis of the evidence available, there has been a significant decrease in the volume or level of activity for the asset or liability, an Entity shall evaluate the significance and relevance of factors such as the following:

49.1.1 There are only few recent transactions.

49.1.2 Price quotations are not developed using current information.

49.1.3 Price quotations vary substantially either over time or among market-makers (e.g., some brokered markets).

49.1.4 Indices that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability.

49.1.5 There is a significant increase in implied liquidity risk premiums, yields or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the Entity's estimate of expected cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability.

49.1.6 There is a wide bid-ask spread or significant increase in the bid-ask spread.

49.1.7 There is a significant decline in the activity of, or there is an absence of, a market for new issues (i.e., a primary market) for the asset or liability or similar assets or liabilities.

49.1.8 Little information is publicly available (e.g., for transactions take place in a principal-to-principal market).

49.2 If an Entity concludes that there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), further analysis of the transactions or quoted prices is needed. A decrease in the volume or level of activity on its own may not indicate that a transaction price or quoted price does not represent fair value or that a transaction in that market is not orderly. However, if an Entity determines that a transaction or quoted price does not represent fair value (e.g., there may be transactions that are not orderly), an adjustment to the transactions or quoted prices will be necessary if the Entity uses those prices as a basis for measuring fair value and that adjustment may be significant to the fair value measurement in its entirety. Adjustments also may be necessary in other circumstances (e.g., when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured or when the price is stale).

49.3 This Accounting Standard does not prescribe a methodology for making significant adjustments to transactions or quoted prices. See paragraphs 61–66 of financial reporting standard “Fair value measurement” and 27-31 of this Accounting Standard for a discussion of the use of valuation techniques when measuring fair value. Regardless of the valuation technique used, an entity shall include appropriate risk adjustments, including a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows of an asset or a liability (see paragraph B17 of financial reporting standard no.13 “Fair value measurement”). Otherwise, the measurement does not faithfully represent fair value. In some cases, determining the appropriate risk adjustment might be difficult. However, the degree of difficulty alone is not a sufficient basis on which to exclude a risk adjustment. The risk adjustment shall be reflective of an orderly transaction between market participants at the measurement date under current market conditions

49.4 If there has been a significant decrease in the volume or level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate (e.g., the use of a mark-to-market approach and a present value technique). When judging indications of fair value resulting from the use of multiple valuation techniques, an Entity shall consider the reasonableness of the range of fair value measurements. The objective is to determine the point within the range that is most representative of fair value under current market conditions. A wide range of fair value measurements may be an indication that further analysis is needed.

49.5 Even when there has been a significant decrease in the volume or level of activity for the asset or liability, the objective of a fair value calculation remains the same. Fair value is the price that would be received to sell an asset, or pay to transfer a liability, in an orderly transaction (i.e., not a forced liquidation or distress sale) between market participants at the measurement date under prevailing market conditions.

49.6 Estimating the price at which market participants would be willing to enter into a transaction at the measurement date under prevailing market conditions if there has been a significant decrease in the volume or level of activity for the asset or liability shall depend on the facts and circumstances at the measurement date and requires judgement. An Entity’s intention to hold the asset or to settle or otherwise fulfil the liability is not relevant when measuring fair value because fair value is a market-based measurement, not an Entity-specific measurement.

Classifying transactions that considered not orderly

49.7 Determining whether a transaction occurs in an orderly manner (or not under orderly market conditions) becomes more difficult where there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). In such circumstances, it is not appropriate to conclude that all transactions in that market are not orderly (i.e., forced liquidations or distress sales). Circumstances that may indicate that a transaction is not orderly include the following:

49.7.1 There were insufficient open positions in the market, during the period prior to the valuation date, to allow for normal levels of market activities through customary trading methods for the assets or liabilities in prevailing market conditions.

49.7.2 There was a sufficient trading period through the usual customary trading methods, but the seller is only selling the asset or liability to a single market participant.

49.7.3 The seller is or near bankruptcy or receivership (i.e., the seller is distressed).

49.7.4 The seller was required to sell to meet regulatory or legal requirements (i.e., the seller was forced).

49.7.5 The transaction price is an outlier when compared with other recent transactions for the same or a similar asset or liability.

An Entity shall evaluate the circumstances based on the weight of the evidence available, to judge whether the transaction is orderly.

49.8 An Entity shall consider all of the following when measuring fair value or estimating market risk premiums:

49.8.1 If the evidence indicates that a transaction is not orderly, an Entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price.

49.8.2 If the evidence indicates that a transaction is orderly, an Entity shall take into account that transaction price. The amount of weight placed on that transaction price when compared with other indications of fair value will depend on the facts and circumstances, such as the following:

49.8.2.1 The volume of the transaction.

49.8.2.2 The comparability of the transaction to the asset or liability being measured.

49.8.2.3 The proximity of the transaction to the measurement date.

49.8.3 If an Entity does not have sufficient information to conclude whether a transaction is orderly, it shall examine the transaction price. Note that this transaction price may not represent fair value (i.e., the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums). When an Entity does not have sufficient information to conclude whether particular transactions are orderly, the Entity shall place less weight on those transactions when compared with other transactions that are known to be orderly.

An Entity need not undertake exhaustive efforts to determine whether a transaction is orderly, but it shall not ignore information that is reasonably available. When an Entity is a party to a transaction, it is presumed to have sufficient information to conclude whether the transaction is orderly.

Using quoted prices provided by third parties

49.9 This Accounting Standard does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if the Entity has determined that the quoted prices provided by those parties are developed in accordance with this Accounting Standard.

49.10 If there has been a significant decrease in the volume or level of activity for the asset or liability, the Entity shall evaluate whether the quoted prices provided by third parties are based on current information that reflects orderly transactions or a valuation technique that reflects market participant assumptions (including assumptions about risk). When weighting a quoted price as an input to a fair value measurement, the entity should place less weight on quotes that do not reflect actual transactions (when compared with other indications of fair value that reflect the results of transactions).

49.11 Furthermore, the nature of a quote (e.g., whether the quote is an indicative price or a binding offer) shall be taken into account when weighing the available evidence, with more weight given to quotes provided by third parties that represent binding offers.

50. An Entity shall develop unobservable inputs using the best information available in the circumstances, which might include the Entity's own data. In developing unobservable inputs, an Entity may begin with its own data, but shall further adjust that reasonably derived information if there is indication other market participants will use different data or the Entity has something in particular that other market participants do not (e.g., an Entity-specific synergy). An Entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, an Entity shall take into account all information about market participant assumptions that is reasonable. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objectives of fair valuation.
51. Examples of Level 3 inputs for particular assets and liabilities include the following:
    51.1 Long-dated currency swap. A Level 3 input would be an interest rate in a specified currency that is not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves.
    51.2 Three-year option on exchange-traded shares. A Level 3 input would be historical volatility, i.e., the volatility for the shares derived from the shares' historical prices. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.
    51.3 Interest rate swap. A Level 3 input would be an adjustment to a mid-market consensus (non-binding) price for the swap developed using data that are not directly observable and cannot otherwise be corroborated by observable market data.
52. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., fair value of the consideration given or received, in exchange, according to financial reporting standard no.13 "Fair value measurement")
53. To ensure fair value measurements and relevant information disclosures can be more consistent and comparable, this Accounting Standard establishes a fair value hierarchy consisting of 3 levels to rank the inputs that go into valuation techniques. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

54. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized in several different levels of the fair value hierarchy. The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, considering factors specific to the asset or liability. For example, transaction costs for a valuation based on fair value less transaction cost, must not consider the transaction cost when classifying the hierarchy level of that valuation.
55. The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy puts emphasis on the inputs to valuation techniques, not the valuation techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might be categorized within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level in the fair value hierarchy which those inputs belong.
56. If observable inputs require significant adjustment using unobservable inputs, the resulting measurement is a Level 3 measurement in the fair value hierarchy. For example, if a market participant wishes to add the impact of a constraint on an asset sale when calculating the valuation, for an Entity proceeding to adjust a Level 2 bid or ask price to incorporate that constraint whereby the adjustment is non-observable and significantly alters the entire valuation, the resulting valuation will become classified as being Level 3 in the fair value hierarchy.

Investment property

57. Investment property is property (land or building or portion of building/structure, or both land and building/structure) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:
    57.1 use in the production or supply of goods or services or for administrative purposes; or
    57.2 sale in the ordinary course of business
57A. Investment property according to this Accounting Standard shall include a property which is similar to investment property that an Entity can invest as defined in Notification of the Office of the Securities and Exchange Commission, such as owned investment property and investment property held by a lessee or lease right as a right-of-use on land, building, machine, equipment, and other related assets.

Recognition

58. An owned investment property shall be recognized as an asset when, and only when:

    58.1 It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

    58.2 The cost of the investment property can be measured reliably.

59. Under the recognition principle in paragraph 16, an entity does not recognize in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognized in profit or loss as incurred. Costs of day-to-day servicing are primarily the cost of labor and consumables and may include the cost of minor parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the property.

60. Parts of investment properties may have been acquired through replacement. For example, the interior walls may be replacements of original walls. Under the recognition principle, an entity recognizes in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions in paragraph 74 of this Accounting Standard.

Valuation upon initial recognition

61. An owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial valuation.

62. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

63. If payment for an investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit.

64. One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless the following:

    64.1 The exchange transaction lacks commercial substance; or

64.2 The fair value of neither the asset received, nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

65. An Entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:

65.1 The configuration (risk, timing, and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or

65.2 The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange, and

65.3 The difference in (65.1) or (65.2) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the Entity's operations affected by the transaction shall reflect post-tax cash flows. The result of these analyses may be clear without an entity having to perform detailed calculations.

<u>Subsequent valuations</u>

66. An Entity shall measure the fair value of investment property.

67. An Entity shall recognize profit or loss from change in fair value of immovable property to invest in profit or loss.

68. When measuring the fair value of investment property in accordance with financial reporting standard No. 13, an Entity shall ensure that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

69. In determining the carrying amount of investment property under the fair value model, an entity does not double-count assets or liabilities that are recognized as separate assets or liabilities. For example:

69.1 Equipment such as lifts or air-conditioning is often an integral part of a building and is generally included in the fair value of the investment property, rather than recognized separately as property, plant and equipment.

69.2 If an office is leased on a furnished basis, the fair value of the office generally includes the fair value of the furniture, because the rental income relates to the furnished office. When furniture is included in the fair value of investment property, an entity does not recognize that furniture as a separate asset.

69.3 The fair value of investment property excludes prepaid or accrued operating lease income, because the entity recognizes it as a separate liability or asset.

69.4 The fair value of investment property held by a lessee as a right-of-use asset reflects expected cash flows (including variable lease payments that are expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognized lease liability, to arrive at the carrying amount of the investment property using the fair value model.

Inability to measure fair value reliably

70. If an Entity determines that the fair value of an investment property during the construction phase is not reliably measurable on a continuing basis, but the Entity predicts that it can measure fair value reliably when the construction is complete, an Entity shall measure that investment property during construction using the cost model in Accounting Standard No. 16 Re: Property, Plant and Equipment, until it can measure fair value reliably or upon completion of construction (whichever occurs sooner).

Transfer

71. When an Entity completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

Disposals

72. An investment property shall be derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

73. The disposal of an investment property may be achieved by sale or by entering into a finance lease. The date of disposal for investment property that is sold is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in financial reporting standard No.15 Re: Revenue from Contracts with Customers and financial reporting standard No.16 Re: Lease, which applies to finance lease and to a sale and leaseback.

74. If an Entity recognizes in the carrying amount of an asset the cost of a replacement for part of an investment property, it shall derecognize the carrying amount of the replaced part. However, the fair value of the investment property may already reflect that the part to be replaced has lost its value. In other cases, it may be difficult to discern how much fair value should be reduced for the part being replaced. An alternative to reducing fair value for the replaced part, when it is not practical to do so, is to include the cost of the replacement in the carrying amount of the asset and then to reassess the fair value, as would be required for additions not involving replacement.
75. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the retirement or disposal (unless financial reporting standard no. 16 requires otherwise on a sale and leaseback).
76. The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of financial reporting standard no. 15 Re: Revenue from Contracts with Customers. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in financial reporting standard no. 15.
77. An Entity applies Accounting Standard No. 37 Re: Provisions, Contingent Liabilities and Contingent Assets or other standards, as appropriate, to any liabilities that it retains after disposal of an investment property.
78. Compensation from third parties for investment property that was impaired, lost or given up shall be recognized in profit or loss when the compensation becomes receivable.

Lease agreement

<u>Lessee</u>

Initial valuation

79. At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.
80. At the commencement date, a lessee shall measure the right-of-use asset at cost.
81. The cost of the right-of-use asset shall comprise:
    - 81.1 the amount of the initial measurement of the lease liability, as described in paragraph 82 of this Accounting Standard;
    - 81.2 any lease payments made at or before the commencement date, less any lease incentives received;

81.3 any initial direct costs incurred by the lessee; and

81.4 an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

82. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate.

Subsequent valuations

83. After the commencement date, a lessee shall measure the right-of-use asset applying a fair value model,

84. After the commencement date, a lessee shall measure the lease liability by:

84.1 increasing the carrying amount to reflect interest on the lease liability;

84.2 reducing the carrying amount to reflect the lease payments made; and

84.3 remeasuring the carrying amount to reflect any reassessment or lease modifications specified in paragraphs 39–46 of financial reporting standard No.16 Re: Lease, or to reflect revised in-substance fixed lease payments (Please see paragraph B42 of financial reporting standard No.16 Re: Lease).

<u>Lessor</u>

Classification of leases

85. A lessor shall classify each of its leases as either an operating lease or a finance lease.

86. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance lease

87. At the commencement date, a lessor shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Operating lease

88. A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Sale and leaseback transactions

89. If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor shall account for the transfer contract and the lease applying paragraphs 90–94 of this Accounting Standard.

Assessing whether the transfer of the asset is a sale

90. An Entity shall apply the requirements for determining when a performance obligation is satisfied in financial reporting standard No.15 Re: Revenue from Contracts with Customers to determine whether the transfer of an asset is accounted for as a sale of that asset.

Transfer of an asset through sale

91. If the transfer of an asset by the seller-lessee satisfies the requirements of financial reporting standard No.15 Re: Revenue from Contracts with Customers to be accounted for as a sale of the asset:

    91.1 the seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

    91.2 the buyer-lessor shall account for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in this financial reporting standard No.16 Re: Lease.

92. If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an Entity shall make the following adjustments to measure the sale proceeds at fair value:

    92.1 any below-market terms shall be accounted for as a prepayment of lease payments; and

    92.2 any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

93. The entity shall measure any potential adjustment required by paragraph 92 of this Accounting Standard on the basis of the more readily determinable of:

    93.1 the difference between the fair value of the consideration for the sale and the fair value of the asset; and

    93.2 the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

Non-sale transfer of an asset

94. If the transfer of an asset by the seller-lessee does not satisfy the requirements of financial reporting standard No.15 Re: Revenue from Contracts with Customers to be accounted for as a sale of the asset:

    94.1 the seller-lessee shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability applying of financial reporting standard No.9 Re: Financial Instrument.

    94.2 the buyer-lessor shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset applying financial reporting standard No.9 Re: Financial Instrument.

Consolidated Financial Statements

95. An Entity may have investment in another corporation regardless of law, regulation, tax, or business reason and retains control over its business. In this case, an Entity shall prepare consolidated financial statements according to financial reporting standard no.10 Re: Consolidated Financial Statements

95 A. This Accounting Practice does not require Entities to prepare and present consolidated financial statements in accordance with paragraph 95 to additionally prepare non-consolidated financial statements too. However, if the Entity chooses to present the non-

consolidated financial statements as well, it is required to comply with the requirements of Accounting Standard No. 27 “Financial Statements for Specific Entity”.

Profit and loss

96. Profit or loss from fair value adjustment of financial asset or liability shall be recognized in profit or loss reporting.

97. In case that a financial asset enables the Entity to receive dividend or share of profit from financial asset issuer, the Entity shall recognize and disclose the dividend income or share of profit from financial asset issuer separately from the profit or loss accompanying a valuation adjustment on the financial asset.

98. Dividends are recognized in profit or loss only when:

    98.1 The Entity’s right to receive dividend payment is established;

    98.2 It is probable that the economic benefits associated with the dividend will flow to the entity; and

    98.3 The amount of the dividend can be measured reliably.

99. The Entity shall recognize such dividend income as follows:

    99.1 The Entity shall derecognize the dividend or other incomes received from investment as income, and proceed to deduct the amount from the transaction cost of investment, in the case where that dividend or cash inflow represents investment payback, either in full or partial.

    99.2 The Entity shall derecognize dividend shares or share split as income if such shares are identical to the original shares. However, if the Entity is entitled to select between receiving cash or share option, the Entity may recognize as income equal to the cash amount the Entity would receive from that dividend.

    99.3 The Entity shall recognize a non-cash dividend as income for the amount equivalent to the fair value of the asset received.

    99.4 The Entity shall recognize dividend received from cumulative preferred stocks, which are dividends earned in previous accounting periods but paid in the current accounting period, as other income.

100. If an Entity recognizes financial assets using settlement date accounting (Please see paragraph 5 and Appendix A paragraph A3 and A6 of this Accounting Standard), any change in the valuation of an asset pending settlement must be recognized with an accompanying profit or loss, if that asset has to show fair value and profit or loss.

Recognition of income and expense

Recognition of investment income

101. The Entity shall recognize investment income on accrual basis (Please see paragraph 102 – 108 of this Accounting Standard) and shall recognize the valuation adjustments according to this Account Standard.

102. In case the Entity is entitled to earn revenue on a daily basis, the Entity shall recognize such revenue daily as it occurs, such as interest revenue. If the Entity receives investment income as a dividend, the Entity shall comply with paragraph 98, 99, and 103 of this Accounting Standard. If the Entity invests in debt securities, the Entity shall comply with paragraph 104-108 of this Accounting Standard.

103. The Entity shall not recognize a warrant received from an investment as income, but shall record that warrant as an investment itself, booked at the accounting value that is stripped out from the original investment which generated that warrant. Book this on the same day the Entity becomes entitled to the warrant. On the same note, the Entity shall recognize entitlement to a rights issue obtained from an investment, as an investment itself, booked at the accounting value that is stripped out from the original investment which provided that rights issue. Book this on the same day the Entity becomes entitled to the rights issue. When stripping out the value of the warrant or rights issue from the original investment, the amount may be estimated by the proportion of the warrant or rights issue in the original investment's fair value. Alternatively, if there is an easier way to obtain the fair value of the warrant or rights issue, use that instead and simultaneously deduct the amount from the original investment.

104. The Entity shall comply with the following for investment income from debt securities:

    104.1 Calculate interest income on a daily basis.

    104.2 Amortize a premium or discount on debt securities or other associated instrument every day based on the effective interest rate, or via any other method that yields a result not significantly different from the effective interest rate method.

105. The Entity shall consider the certainty of receiving interest payment from the instrument issuer before recognizing that interest as income.

106. The Entity shall record received interest from debt securities investment which the issuer is in payment default, while the Entity receives following investment:

    106.1 Recognize interest occurred since investment date until present as interest revenue

    106.2 Outstanding interest upon the investment received deduct to investment account when the interest has been paid.

107. The Entity shall examine the interest account recorded in accrual account consistently to ensure that such account reflect the actual status. Furthermore, the Entity shall revise the accrual interest amount and interest received appropriately when the Entity purchase or sell investment in debt securities during an interest payment interval.

108. In case investment in debt securities defaults, the Entity shall deduct the accrued interest from interest revenue promptly when obviously clear the Entity will not receive the accrued interest and the default of the interest payment can be reasonably anticipated. If the accrued interest that must be debited was embedded in the investment acquired by an Entity, the Entity shall record a deduction of this accrued interest by treating it as an additional cost to the investment acquired.

Recognition of an expense

109. The Entity shall recognize an expense on a daily basis, or as of the date of the financial statement, or date that the Entity is entitled to receive or obligated to pay resources in exchange for a stake.

110. Expenses shall be recorded on a daily basis or as necessary based on the nature of the Entity. Although an Entity may have to rely on estimation, an Entity shall reasonably estimate the expense incurred so that the expense is fully recorded, and the amount is as close as possible to the actual expense incurred. An Entity shall draw on prior experience, historical data, possibility of occurrence, and general business practice.

111. The Entity shall revise an incurred expense, when an Entity receives compensation from management due to a mistaken estimation. The Entity shall record the compensation amount to receive as an asset and make a deduction to the expense item.

112. An Entity may incur costs of issuing units, or other costs associated with the issuing or acquiring its own units, those expenses which may include registration fees and other fees charged by regulators, legal consultants, financial advisors, professional fees, etc., publishing, stamps, transaction fees chargeable to the Entity. If the transaction costs are incremental costs to the capital-related transactions that would can be avoided if such capital-related transactions do not materialize, the cost of the capital-related items that failed to complete shall be recognized as an expense.

113. The expense for issuing units consist of:

 113.1 Legal advisory fee for issuing the units

 113.2 Expenses for all types of registration

 113.3 Underwriting costs and similar expenses

113.4 Cost of publishing prospectus and sale materials for the offering of units

113.5 Fee for listing the units on the stock exchange or trading center

113.6 Other expenses related to the issuance of units

114. Entity with advertising and public relations expenses and any other expenses shall comply with paragraph 109 of this Accounting Standard

Other expense may comprise of any of the following items:

114.1 Expense in foreign investment such as translation fees for the project, document certification fee

114.2 Lawyer's fee or legal advisory fee

114.3 Fund benchmark fee

Stake in net assets

<u>Calculation of net asset value per unit</u>

115. If an Entity has stakes in the form of investment units, the Entity shall calculate its net asset value per unit using total asset value minus total liabilities, divided by number of investment units held by third parties.

116. In most cases, the Entity's assets consist of cash, investments, accrued items, and other assets. Generally, an Entity shall determine its financial assets at fair value. For other assets, an Entity shall measure their value in accordance with the regulations, specified in the relevant financial reporting standards.

117. In most cases, the financial liabilities of an Entity consists of liabilities which are amortized and liabilities marked at fair value through profit and loss. For example, obligations to deliver securities sold pending settlement, obligations to return borrowed securities, redemption of units by stakeholders, and obligations under derivative contracts, the Entity must determine the fair value the aforementioned liabilities. For other types of liabilities, the entity must value them according to requirements prescribed by relevant financial reporting standards.

118. The Entity must include advance expenses, accrued expenses, accrued income and all other related items, occurring up to the date of calculating the net asset value per unit, in the net asset value per unit calculation. The Entity shall estimate the value of such assets and liabilities in good faith and on reasonable grounds under the current circumstances, if exact figures are not available for the aforementioned items.

119. An Entity shall measure the net asset value on trading days when the investment units can be sold or redeemed, and according to the date of the financial statement.

120. The Entity shall comply with the following requirements to ensure that an asset is accurately valued:

    120.1 An Entity shall compare the current fair value of each investment with the latest fair valuation for the same investment to determine the value of each investment whether it has noticeably changed or beyond the amount or rate specified or not.

    120.2 An Entity shall review whether the fair value of the financial asset remains appropriate for its further use or not, even if the deviation does not require an action according to no. 120.1 of this Accounting Standard.

121. An Entity shall determine its net asset value per unit in accordance with the requirements prescribed in paragraphs 122-127 of this Accounting Standard for each class of unit, if the entity has multiple unit classes, and for each type of unitholder where claims to assets and benefits differ.

Accounting for unitholders

122. Unitholders' stake consists of the stake in share capital plus retained earnings from the Entity's operating performance. Share capital received from unitholders is the stated par value, while premium or loss to the capital and other types of capital (penalty fees collected from unitholders who breached terms of redemptions, accumulated retained earnings or loss from operating performance, realized and unrealized accumulated profits from operations, equalization account, and dividends to unitholders).

123. When offering new units to investors, the Entity shall record the capital increase for the amount received from the unitholders by the number of units sold multiplied by the par value per unit as of the date the unitholder receives entitlement to the investment unit. Furthermore, the Entity shall record the premium or discount to the capital in an account to record the difference between the actual subscription price and the par value of the investment unit.

124. In the event that the Entity is offering to sell investment units for the first time while it is not yet registered as a juristic person, the Entity shall book the subscription in accordance with the requirements prescribed in paragraph 123 of this Accounting Standard as of the date the Entity effectively becomes a juristic person.

125. An Entity must record a subscription account for pre-payments received from the sale of investment units as a liability, if cash is received in advance before an actual subscription order is received. The Entity must disclose details about any conditions and liabilities which are significant.

The Entity with many classes of investment units

126. If an Entity has many types of investment units, the Entity shall calculate the net asset value per unit for each type of investment unit as prescribed in paragraph 115 of this Accounting Standard. When separating the capital received from respective unitholders, premium/discount to capital, accumulated retained earnings, and other items according to type of investment unit, an Entity shall separately calculate the income and expense associated with each type of investment unit if it can be specified whether the income and expense belong to which type of investment units. If it cannot be specified, the Entity must allocate income and expenses according to the ratio of the net asset value of each type of investment unit to the total net assets before such allocation, unless such ratio has zero value which the Entity shall apply the latest ratio before zero value is allocated. However, the Entity must not allocate expenses to the extent that the net asset value of that type of investment unit turns negative.

127. Generally, to calculate the net asset value per unit for each type of investment unit, an Entity usually does not have difficulty categorizing the capital received from unitholders and the premium/discount to capital since the Entity can immediately identify which type of investment unit the said transaction belongs to. Furthermore, the Entity also usually does not have difficulty categorizing income and expenses that can be specifically traced to type of investment unit, but the Entity may have issues in categorizing income, expenses, realized profit and loss, that cannot be specifically traced. In this case, the entity must allocate the said transaction based on the ratio of the net asset value of each type of investment unit to the total net assets before such allocation.

Share of capital to unitholders

128. An Entity must reduce retained earnings by the amount of dividend to be paid in cash. But if the Entity is paying dividends in the form of investment units, the Entity shall record the reduction of retained earnings by the net asset value of the units to be distributed as dividends on the date prescribed by the dividend payment policy. Furthermore, the Entity shall record the increase in par value of investment unit, premium to capital, equalization account and other related accounts proportionate to the units distributed, as if new units were being sold.

Information Disclosure

Financial Reports

129. An Entity shall disclose information according to disclosure requirements described in Appendix C regarding mandatory Items in financial statements as prescribed by this Accounting Standard.

Investment properties

130. An Entity shall disclose the following information:

130.1 The fair value of an investment property (as measured or disclosed in the financial statements) that is assessed by an independent professional appraiser with experience in the location and type of property invested. If there is no such appraisal, the Entity must mention this.

130.2 Amount of realized profit or loss on:

130.2.1 Rental income from investment property;

130.2.2 Direct operating expenses (including repairs and maintenance) stemming from the investment property which generated rental income during the period; and

130.2.3 Direct operating expenses (including repairs and maintenance) stemming from an investment property which did not generate rental income during the period.

130.3 Details of constraints and amount subjected to constraints for the investment property or for the remittance of income and proceeds from disposal.

130.4 Contractual obligations to purchase, construct or develop an investment property or for repairs, maintenance, or enhancements.

131. In addition to the disclosures required by paragraph 130 of this Accounting Standard, an Entity shall reconcile accounts between the carrying value of the investment property at the beginning and end of the period, by showing these details:

131.1 Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized in the carrying amount of an asset;

131.2 Additions resulting from acquisitions through business mergers;

131.3 Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with financial reporting standard no.5 Re: Non-current Assets Held for Sale and Discontinued Operations and other disposals;

131.4 Net gains or losses from valuation adjustments;

131.5 The net change due to foreign currency translation of the financial statement into a different presentation currency, and on translation of a foreign business operation into the presentation currency of the reporting Entity;

131.6 Other changes.

132. If the Entity has investment property under construction, the account reconciliation process required by paragraph 131 of this Accounting Standard for this property must be shown separately from other investment properties.

<u>Lease contract</u>

Lessee

133. The objective of the disclosure is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, provides a basis for users of financial statements to assess the effect that the leases have on the financial position, financial performance and cash flows of the lessee.

Lessor

134. The objective of the disclosure is for lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, provides a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor.

<u>Other disclosures</u>

135. An Entity shall disclose the following information in Notes to Financial Statements:

135.1 Significant accounting policies such as share capital policy, investment valuation policy, revenue recognition, securities borrowing and lending, repurchase agreement, short selling, valuation of financial assets and liabilities, amortization of intangible assets, and accounting estimation policy.

135.2 Information regarding share capital to stakeholders.

135.3 Information about the increase or decrease of capital during the period, in the case of multiple class of units.

135.4 Information about investment trading

135.5 Information about reverse-repurchase agreements and repurchase agreements

135.6 Information on debt securities that the issuer is in default or breach of the covenants

135.7 Information about financial assets and financial liabilities which include short-selling and securities borrowing and lending

135.8 Transactions between connected persons or parties

135.9 Other relevant information

135.10 Significant events after the financial statement date

136. Where there are multiple class of investment units, an Entity must provide details as follows:

135.1 Investment units at the end of the year

135.2 Net asset of unitholders

136.3 Net asset value per unit classified by type of investment units

137. In disclosure of information pertaining to debt securities which are in default by the issuer or breach of the agreement term, the Entity shall disclose at least the following information:

137.1 Current value of expected cash flows discounted at an appropriate rate to the risk.

137.2 The amount of principal and interest on such debt securities under the original conditions.

137.3 Payment terms agreed by the issuer of the instrument or the person responsible for servicing such instrument.

138. The Entity shall disclose information about financial assets and financial liabilities including short-selling and borrowing and lending according to terms prescribed in the financial reporting standard no.7 “Disclosure of Financial Instruments”.

139. The Entity shall disclose information about connected persons or business entity in the following. Provide detailed listing by name of connected person or business entity, and the type of relationship.

139.1 Dividend income

139.2 Interest income

139.3 Commission fee

139.4 Professional fee

139.5 Investment transactions

139.6 Other relevant information as specified in Accounting Standard No. 24 “Related Party Disclosures”.

Effective date

140. An Entity shall apply this Accounting Standard for financial statements of accounting period beginning on or after 1 January B.E. 2563 onwards.

Transitional Period

141. When an Entity adopts these accounting standards for the first time, an Entity has 2 choices on how to proceed during the transitional period:

    141.1 The Entity may elect to comply with this Accounting Standard with retrospective adjustments made according to Accounting Standard No. 8 regarding accounting policies, changes to accounting estimates and errors: or

    141.2 The Entity may elect to comply with this Accounting Standard by updating the reconciliation accounts resulting stemming from the first application of this Accounting Standard, by adjusting the balance of the retained earnings (or other equity components as appropriate) as of the date of first application of this Accounting Standard without having to adjust the comparative information. However, such facts shall be disclosed.

142. For the cost of issuing units or costs of issuing or acquiring the entity's units, including any other expenses incurred prior to 1 January B.E.2563, which the Entity previously recorded as deferred expense and amortized as expense over the period of expected benefit from the expenditure, but not more than 5 years, in accordance with Accounting Standard No. 106 Re: Accounting for Investment Entities Operating An Investment Business, an Entity can continue to amortize as an expense over the remaining period, provided that the reasons are described in the Notes to the Financial Statements, as well as disclosing the information on the impact on Net Asset Value (NAV) if the business has recorded such expenses according to this Accounting Standard.

143. For Entities whose accounting period ends on 31December B.E 2562, the Entity can follow Accounting Standard No. 106 Re: Accounting for Investment Entities Operating An Investment Business until the end of the Entity's accounting period which started before this Accounting Guideline becomes effective. However, if an Entity has expenses for issuing units or any costs of issuing or acquiring the entity's units including any other expenses incurred from 1 January B.E. 2563, the Entity shall also comply with such expenses in accordance with paragraphs 109-114 of this Accounting Standard.

Appendix A: This Appendix is an integral part of this Accounting Standard

Guideline

Initial recognition

A1. According to principles described in paragraph 4 of this Accounting Standard, an Entity recognizes all of its contractual rights and obligations under derivative contracts in its statement of financial position as assets and liabilities, respectively, except for derivatives that prevent a transfer of financial assets from being accounted for as a sale. If a transfer of a financial asset does not qualify for derecognition, the transferee does not recognize the transferred asset as its asset.

A2. The following are examples of applying the principle in paragraph 4 of this Accounting Standard:

A2.1 Unconditional receivables and payables are recognized as assets or liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

A2.2 Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognized until at least one of the parties has performed under the agreement. For example, an Entity that receives a firm order does not generally recognize an asset (and the Entity that places the order does not recognize a liability) at the time of the commitment but, instead, delays recognition until the ordered goods or services have been shipped, delivered or rendered. If a firm commitment to buy or sell non-financial items is within the scope of paragraphs 2.4–2.7 of financial reporting standard no. 9 “Financial Instruments”, its net fair value is recognized as an asset or a liability on the commitment date. In addition, if a previously unrecognized firm commitment is designated as a hedged item in a fair value hedge, any change in the net fair value attributable to the hedged risk is recognized as an asset or a liability after the inception of the hedge (Please see paragraphs 6.5.8.2 and 6.5.9 of financial reporting standard no. 9 “Financial Instruments”).

A2.3 A forward contract that is within the scope of financial reporting standard no.9 (Please see paragraph 2.1 of financial reporting standard no. 9 “Financial Instruments”) is recognized as an asset or a liability on the commitment date, instead of on the date on which settlement takes place. When an Entity becomes a party to a forward contract, the fair values of the right and obligation are often equal, so that the net fair value of the forward is zero. If the net fair value of the right and obligation is not zero, the contract is recognized as an asset or liability.

A2.4 Option contracts that are within the scope of financial reporting standard no. 9 “Financial Instruments” (Please see paragraph 2.1 of financial reporting standard no. 9 “Financial Instruments”) are recognized as assets or liabilities when the holder or writer becomes a party to the contract.

A2.5 Planned future transactions, no matter how likely, are not assets and liabilities because the Entity has not become a party to a contract.

Purchase or sale of financial assets according to accepted practice

A3. Purchase or sale of financial assets according to accepted practice is for the Entity to recognize the transaction using either trade date accounting or settlement date accounting as described in paragraphs A5 and A6 of this Accounting Standard. An Entity shall apply the same method consistently for all purchases and sales of financial assets that are classified in the same way in accordance with this Accounting Standard.

A4. A contract that requires or permits net settlement of the change in the value of the contract is not considered accepted practice. Instead, such a contract is accounted for as a derivative in the period between the trade date and the settlement date.

A5. The trade date is the date that an entity commits itself to purchase or sell an asset. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

A6. The settlement date is the date that an asset is delivered to or by an Entity. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Entity. When settlement date accounting is applied an Entity’s accounts for any change in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. In other words, the change in value will be recognized in profit or loss for assets classified as financial assets measured at fair value through profit or loss.

Initial Valuation

A7. The fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received, see also paragraph 52 of this Accounting Standard and financial reporting standard no.13 “Fair value measurement”). However, if part of the consideration given or received is for something other than the financial instrument, an Entity shall measure the fair value of the financial instrument. For example, the fair value of a long-term loan or receivable that carries no interest can be measured as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.

Subsequent Valuations

A8. If a financial instrument that was previously recognized as a financial asset is measured at fair value through profit or loss and its fair value decreases below zero, it is a financial liability measured in accordance with paragraph 20 of this Accounting Standard.

Profit and loss

A9. An Entity which adopts Accounting Standard No.21 “The Effects of Changes in Foreign Exchange Rates” for a monetary asset and liability denominated in a foreign currency, whereby Accounting Standard No.21 “The Effects of Changes in Foreign Exchange Rates” requires that the profit or loss from currency exchange be realized, except for monetary items associated with hedging of cash flow risks (see paragraph 6.5.11 of financial reporting standard no.9 “Financial Instruments”) and net investment risk (see paragraph 6.5.13 of financial reporting standard no.9 “Financial Instruments”).

A10. If a non-derivative financial asset or a non-derivative financial liability is connected to each other in a hedging scheme, changes to the foreign currency component of those financial instruments shall be recognized in profit and loss.

Appendix B: This Appendix is an integral part of this Accounting Standard.

Definitions (According to financial reporting standard no. 9 "Financial Instruments")

Financial instrument means a contract that simultaneously increases the financial assets of one entity and the financial liability or equity instrument of another entity.

A financial asset means any asset that is:

1. Cash;
2. An equity instrument of another entity;
3. A contractual right:
    - 3.1 To receive cash or another financial asset from another entity; or
    - 3.2 To exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
4. A contract that will or may be settled in the entity's own equity instruments and is:
    - 4.1 A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
    - 4.2 A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B of accounting standard no.32 "Financial instrument: Presentation", instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the Entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D of accounting standard no.32 "Financial instrument: Presentation", or instruments that are contracts for the future receipt or delivery of the Entity's own equity instruments.

A financial liability means any liability that is:

1. A contractual obligation:
    - 1.1 To deliver cash or another financial asset to another entity; or
    - 1.2 To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
2. A contract that will or may be settled in the Entity's own equity instruments and is:
    - 2.1 A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

2.2 A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B of Accounting Standard no.32 "Financial instrument: Presentation", instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D of accounting standard no.32 "Financial instrument: Presentation", or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions of Accounting Standard no.32 "Financial instrument: Presentation" in paragraph 16A and 16B or paragraphs 16C and 16D.

An equity instrument means any contract that shows the holder owns a part of the residual stake in the assets of an entity after deducting all of its liabilities.

Derivative financial instrument means financial instrument or other contract with the following characteristics:

1. Its value changes in response to changes in the so-called 'underlying', i.e., the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index or rate index, credit rating or credit index, or other variables. In the case of a non-financial variable, the variable must not be specific to a party to the contract (sometimes called 'underlying');
2. It requires no initial net investment or has an initial net investment that is smaller than would be required for other types of contracts with a similar response to changes in market factors; and
3. It is settled at a future date.

Amortized cost of a financial asset or financial liability means the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Transaction costs means additional costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. This additional cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Transaction costs shall include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Note that transaction costs do not include other fees which are not significant and causes difficulty for the Entity to calculate investment cost such as fee incurred from money transfer fee (BAHTNET).

Appendix C: This Appendix is an integral part of this Accounting Standard.

Mandatory Items in fund financial statements

Examples for Items in fund financial statement proposal

1. Statement of financial position
2. Notes to investments
3. Statement of profit or loss
4. Statement of changes in net assets
5. Statement of cash flows

Examples for information disclosures in notes to the financial statements

1. General information
2. Basis of accounting
3. Significant accounting policy
4. Financial risk
5. Investment shown at fair value through profit and loss
6. Investment in investment properties shown at fair value
7. Cash and cash equivalents
8. Retained earnings
9. Expenses
10. Business transactions with related parties
11. Share of capital to unitholders
12. Information about investment transactions
13. Obligations
14. Details of operations
15. Valuation levels and methods
16. Other related information
17. Approval of financial statements

The above information shall be disclosed together with other details. The notes to the financial statements are in accordance with this Accounting Standard with minimum as set out in this example but if there is no such item as specified, it shall be exempted from having to disclose such items.

(Unofficial Translation)

Example of Financial Statements

Property Fund XXX

Balance Sheet

As of 31 December 25x2

			Unit:Baht
	Note	**25x2**	**25x1**
Asset			
Investment at fair value through profit or loss		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Investment in investment properties at fair value		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Cash and cash equivalents		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Receivable from accrued interest		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Receivable from accrued rental income		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Receivable from dividends and interest		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Deferred expenses		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Advance expenses		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Other assets		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Total assets		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Liability			
Accrued expense		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Advance rental received		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Deposit from lessee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Payable from share capital		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Long-term loan		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Other liabilities		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Total liabilities		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset:			
Capital from unitholders[1]		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Retain earnings		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset per unit		xx.xxxx	xx.xxxx
Number of units outstanding at the end of the year (unit)		x,xxx.xxxx	x,xxx.xxxx

[1]Examples of presentations in the above financial statements will be used only for funds that issue investment units in a normal manner. If the fund issues investment units with different characteristics, further details are described in Accounting Standard No. 32 Re: Financial Instruments: Presentation.

Property Fund XXX

Notes to investments

As of 31 December 25x2

Details of investments, shown by type of investment asset.

Unit:Baht

Type Of Investment	Amount/ Area	25x2 Capital/ Principal (Baht)	25x2 Fair Value (Baht)	25x2 Weight (%)	25x1 Capital/ Principal (Baht)	25x1 Fair Value (Baht)	25x1 Weight (%)
Investment in property							
Land/building and asset							
xxx	xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx	xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx	xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx	xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
Total investment in property		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
Investment in securities							
Fixed deposit							
xxx		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
Government bond							
xxx		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
xxx		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
Total investment in securities		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	xx.xx
Total investment		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	100.00	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx	100.00

(Unofficial Translation)

Property Fund XXX

Statement of Profit and Loss

As of 31 December 25x2

Unit:Baht

	Note	25x2	25x1
Income			
Income from investment in asset sale agreement and income rights		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Rental and service income		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Interest income		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Other income		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Total income		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Expense			
Operating fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Beneficiary fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Registrar fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Professional fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Deferred expenses amortized		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Central management fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Member maintenance fee		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Other expense		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Financial cost		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Total expenses		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Profit (loss) from net investment		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Details of net profit (loss) from investment			
Net profit (loss) from investment		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net profit (loss) from change in valuation of investments		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Total net profit (loss) from investment		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Increase (decrease) in net asset from operation		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx

(Unofficial Translation)

Property Fund XXX

Statement of Changes in Net Assets

As of 31 December 25x2

Unit:Baht

	Note	25x2	25x1
Net increase (decrease) in net assets from operations during the year			
Net profit (loss) from investment activities		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net profit (loss) from value of investments		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Increase in net asset during the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Share capital to unitholders		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Capital return to unitholders		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Increase (decrease) in net assets during the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset at the beginning of the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Net asset at the end of the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx

Unit:Unit

Investment unit change			
(Unit value xx baht)			
Number of units at the beginning of the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx
Number of units at the end of the year		xxx,xxx,xxx.xx	xxx,xxx,xxx.xx

(Unofficial Translation)

Property Fund XXX

Statement of Cash Flows

As of 31 December 25x2

		Unit:Baht
	25x2	**25x1**
Cash from operating activities		
Increase in net assets from operations	xxx	xxx
Adjustments to reconcile change in net assets from		
operating activities to net cash from operating activities		
Net profit (loss) from change in fair value of investments	xxx	xxx
Investment purchase	xxx	xxx
Investment sale	xxx	xxx
Receivables from decrease in lease and service (Increase)	xxx	xxx
Decrease of other assets (Increase)	xxx	xxx
Increase of payables (decrease)	xxx	xxx
Increase of accrued property management fee (decrease)	xxx	xxx
Increase of advance income received (decrease)	xxx	xxx
Increase of rental deposit (decrease)	xxx	xxx
Increase of accrued expense (decrease)	xxx	xxx
Increase of current liability (decrease)	xxx	xxx
Amortization of borrowing costs	xxx	xxx
Net cash from operating activities	xxx	xxx
Cash flow from financing activities		
Cash from loans	xxx	xxx
Payback cash for loans	xxx	xxx
Share capital of unitholders	xxx	xxx
Net cash from financing activities	xxx	xxx
Increase of cash and cash equivalents (decrease) - Net	xxx	xxx
Cash and cash equivalents at the beginning of the year	xxx	xxx
Cash and cash equivalents at the end of the year	xxx	xxx

(Unofficial Translation)

Examples of Disclosure in Notes to Financial Statements

…….Fund

Notes to Financial Statements

As of 31 December 25x2

1.General Information

.... (“Fund”) is a property fund registered as a closed-end mutual fund with of the Office of the Securities and Exchange Commission (“SEC”) with no maturity date, on date……………..with amount of capital of………….(equivalent to ………… investment units valued at ……….. per unit). ……………. asset management company (“Management company”) is the fund manager and registrar of the investment units with ………… bank as fund trustee.

[Include any further description of the fund, investment objective, benchmark, and other relevant information.]

The Fund has dividend policy pursuant to rules and procedures stated in the prospectus / The Fund does not pay dividends to unitholders.

2. Basis of accounting

These financial statements have been prepared in accordance with (cite the Financial Reporting Standard and Accounting Standards for mutual funds).

3. Summarize key accounting policies

(3.1) Investment valuation

(3.2) Financial instruments

(3.3) Share capital

(3.4) Accrued rental income receivable

(3.5) Lease agreement

(3.6) Recognition of income and expense

(3.7) Accounting forecasts and estimates

4. Financial risk

<u>The interest rate risk</u>

The interest rate risk refers to the risk that the value of a financial asset and liability may fluctuate due to changes in market yields.

The following table summarizes a fund’s interest rate risk exposure, illustrating the fund’s assets at fair value and segregated by type of interest rate.

(Unit:Baht)

	Net Financial Instruments Outstanding as of 31 December 25x2			
	Floating interest rate	Fixed interest rate	No interest rate	Total
Financial assets and liabilities				
Bank deposits	xxx	-	-	xxx
Government bonds	-	-	xxx	xxx
Listed securities	-	-	xxx	xxx
Unlisted securities	-	-	xxx	xxx
Accrued expense	-	-	xxx	xxx

(Unit:Baht)

	Remaining amount of net financial instrument as of 31 December 25x1			
	Floating interest rate	Fixed interest rate	No interest rate	Total
Financial assets and liabilities				
Bank deposits	xxx	-	-	xxx
Government bonds	-	-	xxx	xxx
Listed securities	-	-	xxx	xxx
Unlisted securities	-	-	xxx	xxx
Accrued expense	-	-	xxx	xxx

Credit Risk

The Fund is exposed to risks arising from a counterparty's failure to meet obligations specified in the financial instruments since the Fund has debtors. However, these financial assets will mature in a short time, therefore unlikely to incur loss from debt collection.

Currency Risk

The Fund does not hold financial assets or liabilities in foreign currency so there is no currency risk.

In the case a currency risk exposure exists:

On 31 December 25x2 and 25x1, the Fund has account items in foreign currency as follows:

	Currency	
Description	25x2	25x1
Investments (Fair value)	xxx,xxx,xxx.xx	xxx,xxx,xxx.xx

The Fund has entered into a derivative contract to hedge foreign currency denominated investments against exchange risk.

Market Risk

The Fund is exposed to market risk as it has investments in equity and debt securities, where financial returns are subjected to economic, political, financial and market conditions. Such situations may have a positive or negative impact on the operations of the company which issued the securities. However, extent of impact depends on the issuer's type of business and degree of correlation with the volatility of the market, which may cause the price of the instrument to increase or decrease.

Risk Management

The fund manages investment risks via an established a risk management policy, such as prescribing portfolio diversification levels, fundamental analysis of businesses invested, etc.

5. Investments at fair value through profit and loss

Activities of investments at fair value through profit and loss during the year to 31 December:

	25x2	25x1
Outstanding investments at beginning of year	xxx	xxx
Increase	xxx	xxx
Disposal	xxx	xxx
Profit (loss) from investment valuation	xxx	xxx
Outstanding investments at end of year	xxx	xxx

6. Property investments at fair value

The property investment is in … , which [describe the property/location/capital price/estimated investment price in the property/ net profit from investment valuation in profit or loss].

7. Cash and cash equivalents

As of 31December, the fund's cash and cash equivalents are as follows:

	25x2		**25x1**	
Description	Baht	Interest rate (%)	Baht	Interest rate (%)
Cash	xxx		xxx	
Current deposits	xxx		xxx	
Savings deposits	xxx	xx%	xxx	xx%
Total	xxx		xxx	

8. Retained earning

Transaction of retained earnings during the year ended 31December are as follows:

	25x2	**25x1**
Outstanding amount at beginning of year	xxx	xxx
Net profit (loss) from investments	xxx	xxx
Net profit (loss) from valuation of investments	xxx	xxx
Profit (loss) from change in investment at fair value	xxx	xxx
Share capital for unitholders	xxx	xxx
Outstanding amount at end of year	xxx	xxx

9. Expense

The asset management company is the fund manager and registrar of investment units with .... bank as the trustee. Management fee, trustee fee, and registrar fees are as follows:

- Management fee at a rate not exceeding …….%
- Trustee fee at a rate not exceeding …….%
- Registrar fee at a rate not exceeding …….%

10. Business transaction with related parties

During the year, the fund has significant business transactions between the asset management company and other business entities, which have the same shareholders and/or directors as the asset management company and the fund. Significant transactions during the year ended 31 December, 25x2 and 25x1 are as follows:

	Baht		
	25x2	25x1	Pricing policy
……….. asset management company limited			
Management fee	xxx	xxx	As stated in prospectus
Registrar fee	xxx	xxx	As stated in prospectus
… Bank Public Company Limited			
Interest income	xxx	xxx	Market price
… securities company limited			
Other expenses	xxx	xxx	Market rate
Other funds managed by ……….. asset management company limited			
Other expense	xxx	xxx	Market price

As at 31December, 25x2 and 25x1, the fund has significant balances with related parties as follows:

	Baht	
	25x2	**25x1**
……….asset management company limited		
Accrued management fee	xxx	xxx
Accrued registrar fee	xxx	xxx
… Bank Public Company Limited		
Accrued trustee fee	xxx	xxx
Other funds managed by ……….asset management company limited		
Advance expense paid	xxx	xxx

11. Share capital to unitholders

During the year, the fund has paid dividends to unitholders as follows:

Dividend Announcement Date	For period	Amount per unit (Baht:Unit)	25x2	25x1
xx 25x1	xxx-xxx	xx.xx	-	xxx
xx 25x1	xxx-xxx	xx.xx	-	xxx
xx 25x2	xxx-xxx	xx.xx	xxx	-
xx 25x2	xxx-xxx	xx.xx	xxx	-

12. Information about investment transactions

The fund's investment activities during the year ended 31December, 25x2 and 25x1, (excluding investments in bank deposits) amount to XXX million baht and XXX million baht, representing XX.XX percent and XX.XX percent of average net asset value for the year, respectively.

13. Obligations

The fund has obligations under a service agreement which earns a fees as follows …..

14. Details about operations

The Fund has a single business operation involving investment in real estate and securities. The only main geographical area of operation is Thailand.

15. Investment valuation hierarchy and methodology

Determining fair value

Fair value means the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between buyer and seller (market participants) at the measurement date. The Fund uses bid and ask prices in an active market when measuring the fair value of assets and liabilities as required by the Accounting Standard. However, in the absence of trading liquidity for assets or liabilities of the same nature or lack of bid and ask quotations in an otherwise active market, fair values shall be estimated using valuation methods that are considered appropriate for the situation. The methodology shall maximize the use of observable data when determining valuations for that asset or liability.

The following table presents financial instruments that are measured at fair value. Method of valuation is classified on different levels based on quality of information.

- Offer price (unadjusted) in active markets for identical assets or liabilities. (Level 1 inputs)
- Information other than the quoted price included in Level 1 that is directly observable (i.e., market price) or indirectly (i.e., information calculated from market prices) for that asset or liability. (Level 2 inputs)
- Information for assets or liabilities that is not based on observable market data. (Information that cannot be observable) (Level 3 inputs)

31 Dec 25x2 **(Unit: Million Baht)**

	Level 1	**Level 2**	**Level 3**	**Total**
Property investments at fair value	-	-	xxx	xxx
Equities and funds	xxx		xxx	xxx
Debt securities	-	xxx	-	xxx
Derivatives	xxx	xxx	-	xxx

31 Dec 25x1 **(Unit: Million Baht)**

	Level 1	**Level 2**	**Level 3**	**Total**
Property investments at fair value	-	-	xxx	xxx
Equities and funds	xxx		xxx	xxx
Debt securities	-	xxx	-	xxx
Derivatives	xxx	xxx	-	xxx

Various investments where value is derived from market prices clearly observable in active markets and classified as Level 1 consists of equities of listed companies that are liquid and derivatives that are trading in the officially established market. The fund will not adjust the reference prices of these instruments.

Financial instruments traded in a market that are not considered liquid but assessed against a clearly observable market price or from bids and offer by traders or pricing sources supported by observable input, are categorized as Level 2. These financial instruments consist of investment-grade debt securities and directly-traded derivatives.
Investments categorized in Level 3 are investments where vital information are not clearly observable due to infrequent trading.

Investments in Level 3 consists of credit risk and potential loss from the position in that instrument. Key inputs into the valuation model for such investments shall consist of price-earnings-ratio and discount cash flow.

The following table shows movement in Level 3 for the year ended December 31, 25x2 and 25x1, categorized by type of financial instrument:

	25x2	(Unit:Million baht)	
	Equity instrument	**Debt securities**	**Total**
Items brought forward at beginning of year	xx	xx	xx
Purchases	xx	xx	xx
Sales	xx	xx	xx
Transfer into Level 3	xx	xx	xx
Transfer out (specify the level)	xx	xx	xx
Gain/Loss recognized in income statement	xx	xx	xx
Outstanding amount at end of year	xx	xx	Xx

	25x1	(Unit:Million baht)	
	Equity instrument	**Debt securities**	**Total**
Items brought forward at beginning of year	xx	xx	xx
Purchases	xx	xx	xx
Sales	xx	xx	xx
Transfer into Level 3	xx	xx	xx
Transfer out (specify the level)	xx	xx	xx

Gain/Loss recognized in income statement	xx	xx	xx
Outstanding amount at end of year	xx	xx	xx

* For the amount transferred into or out of all levels in the fair value hierarchy, the Entity shall disclose and comply with the policy on an ongoing basis, as stated in paragraph 95 of the Financial Reporting Standard No. 13.

16. Other relevant information

17. Financial statement approval

This financial statement has been approved by the fund's authorized representative on ……….