
***ASEAN PROMOTION CENTRE ON
TRADE, INVESTMENT AND TOURISM***

*Financial Statements for the
Year Ended March 31, 2010, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Council of
ASEAN PROMOTION CENTRE ON
TRADE, INVESTMENT AND TOURISM:

We have audited the accompanying balance sheet of ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM ("the Centre") as of March 31, 2010, and the related statements of revenue, expenses and changes in fund balance, and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Centre as of March 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 16, 2010

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Balance Sheet
March 31, 2010

| <u>ASSETS</u> | <u>Japanese Yen</u> | <u>U.S. Dollars</u> (Note 2) | <u>LIABILITIES AND FUND BALANCE</u> | <u>Japanese Yen</u> | <u>U.S. Dollars</u> (Note 2) |
|---------------------------------------|----------------------|---------------------------------|--|----------------------|---------------------------------|
| CURRENT ASSETS: | | | CURRENT LIABILITIES: | | |
| Cash and bank deposits | ¥ 257,757,901 | \$ 2,770,399 | Accounts payable | ¥ 62,459,158 | \$ 671,315 |
| Prepaid expenses | 1,503,067 | 16,155 | Receipts in advance (Note 5.b) | 30,422,031 | 326,978 |
| Advance to staff members | 444,000 | 4,772 | Short-term bank loan (Notes 6.a and 7.c) | 131,370,760 | 1,411,982 |
| Other current assets | <u>299,635</u> | <u>3,220</u> | Other current liabilities | <u>1,822,561</u> | <u>19,589</u> |
| Total current assets | <u>260,004,603</u> | <u>2,794,546</u> | Total current liabilities | <u>226,074,510</u> | <u>2,429,864</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | | LONG-TERM LIABILITIES—Accrued severance benefits (Note 3.c) | <u>89,313,778</u> | <u>959,950</u> |
| Property, plant and equipment | 71,262,298 | 765,932 | Total long-term liabilities | <u>89,313,778</u> | <u>959,950</u> |
| Accumulated depreciation | <u>(29,895,257)</u> | <u>(321,316)</u> | | | |
| Net property, plant and equipment | <u>41,367,041</u> | <u>444,616</u> | COMMITMENTS AND CONTINGENT LIABILITIES (Note 6.c) | | |
| INVESTMENTS AND OTHER ASSETS: | | | FUND BALANCE (Note 7): | | |
| Software | 30,424,330 | 327,003 | Appropriated for special fund | 43,760,510 | 470,341 |
| Lease deposits (Note 6.a) | 62,562,240 | 672,423 | Appropriated for earmarked expenses (Note 6.c) | 2,536,130 | 27,258 |
| Deposits (Note 6.b) | 500,000 | 5,374 | Appropriated for property, plant and equipment and software | 71,791,371 | 771,618 |
| Long-term prepaid expenses | <u>305,499</u> | <u>3,283</u> | Appropriated for relocation expenses | (68,808,520) | (739,558) |
| Total investments and other assets | <u>93,792,069</u> | <u>1,008,083</u> | Unappropriated | <u>30,495,934</u> | <u>327,772</u> |
| TOTAL | <u>¥ 395,163,713</u> | <u>\$ 4,247,245</u> | Total fund balance | <u>79,775,425</u> | <u>857,431</u> |
| | | | TOTAL | <u>¥ 395,163,713</u> | <u>\$ 4,247,245</u> |

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Statement of Revenue, Expenses and Changes in Fund Balance Year Ended March 31, 2010

| | <u>Japanese Yen</u> | <u>U.S. Dollars</u> (Note 2) |
|---|---------------------|---------------------------------|
| REVENUE (Note 5): | | |
| Contributions from Member Countries | ¥ 703,528,000 | \$ 7,561,565 |
| Funds from ASEAN-Japan Integration Fund | 16,814,649 | 180,725 |
| Other income: | | |
| Interest and dividend income | 183,568 | 1,973 |
| Others | <u>108,934</u> | <u>1,171</u> |
| Total revenue | <u>720,635,151</u> | <u>7,745,434</u> |
| EXPENSES: | | |
| Projects: | | |
| Trade | 112,098,954 | 1,204,847 |
| Investment | 87,217,612 | 937,421 |
| Tourism | 82,023,529 | 881,594 |
| Public relations | 26,976,377 | 289,944 |
| ASEAN national activities | 46,857,853 | 503,631 |
| Depreciation expenses | 1,057,081 | 11,362 |
| Amortization expenses | 3,910,785 | 42,033 |
| Administration: | | |
| Meetings of Council and Executive Board | 4,912,352 | 52,798 |
| Office maintenance (Note 6.a) | 50,121,918 | 538,714 |
| Office operation | 11,337,553 | 121,857 |
| Staff expenses | 229,783,463 | 2,469,728 |
| Provision for accrued severance benefits (Note 3.c) | 12,679,329 | 136,278 |
| Rent for Permanent Exhibition Hall (Note 6.a) | 43,717,343 | 469,877 |
| Depreciation expenses | 10,472,359 | 112,558 |
| Amortization expenses | 469,809 | 5,049 |
| Loss on disposal of property, plant and equipment | <u>20,043</u> | <u>215</u> |
| Total expenses | <u>723,656,360</u> | <u>7,777,906</u> |
| EXCESS OF REVENUE OVER EXPENSES | (3,021,209) | (32,472) |
| FUND BALANCE, BEGINNING OF YEAR | <u>82,796,634</u> | <u>889,903</u> |
| FUND BALANCE, END OF YEAR | <u>¥ 79,775,425</u> | <u>\$ 857,431</u> |

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Statement of Cash Flows Year Ended March 31, 2010

| | <u>Japanese Yen</u> | <u>U.S. Dollars (Note 2)</u> |
|--|-----------------------------|----------------------------------|
| OPERATING ACTIVITIES: | | |
| Cash received from Member Countries | ¥ 703,528,000 | \$ 7,561,565 |
| Cash paid to suppliers and staff | (809,618,219) | (8,701,830) |
| Interest received | 183,568 | 1,973 |
| Interest paid | <u>(3,834,429)</u> | <u>(41,212)</u> |
| Net cash used in operating activities | <u>(109,741,080)</u> | <u>(1,179,504)</u> |
| INVESTING ACTIVITIES: | | |
| Acquisition of property, plant and equipment and software | (26,176,413) | (281,346) |
| Cash received from insurance company for deposit | 10,000 | 107 |
| Cash paid to staff for salary advance | (740,000) | (7,954) |
| Cash received from staff for monthly settlements of salary advance | 513,000 | 5,514 |
| Proceed from refund of lease deposit | <u>101,280,660</u> | <u>1,088,572</u> |
| Net cash provided by investing activities | <u>74,887,247</u> | <u>804,893</u> |
| FINANCING ACTIVITIES: | | |
| Proceed from short-term bank loan | 68,808,520 | 739,558 |
| Cash paid to bank for settlement of short-term bank loan | <u>(82,990,660)</u> | <u>(891,989)</u> |
| Net cash used in financing activities | <u>(14,182,140)</u> | <u>(152,431)</u> |
| NET DECREASE IN CASH AND BANK DEPOSITS | (49,035,973) | (527,042) |
| CASH AND BANK DEPOSITS, BEGINNING OF YEAR | <u>306,793,874</u> | <u>3,297,441</u> |
| CASH AND BANK DEPOSITS, END OF YEAR | <u>¥ 257,757,901</u> | <u>\$ 2,770,399</u> |

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Notes to Financial Statements Year Ended March 31, 2010

1. ORGANIZATION

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM ("the Centre") was established on May 25, 1981, as an un-incorporated, non-profit organization under the Agreement among the governments of Japan and five ASEAN Member Countries. This Agreement was extended to May 24, 2012 at the 26th Annual Meeting of the Council held in Tokyo in February 2007. The Centre's main purpose is to promote exports from the ASEAN Member Countries to Japan, particularly semi-processed and manufactured products; to accelerate the inflow of investment from Japan to the ASEAN Member Countries, including the transfer of skills and technology; and to vitalize tourist traffic from Japan to the ASEAN Member Countries through close cooperation between Japan and the ASEAN Member Countries. There are 11 Member Countries as of March 31, 2010.

2. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The financial statements are stated in Japanese yen, the currency of the country in which the Centre operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥93.04 to \$1, the rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Property, Plant and Equipment and Software*—Property, plant and equipment and software, limited to those with individual amounts of ¥200,000 (\$2,150) or more, are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 2 to 15 years. Amortization of software is computed by the straight-line method at rates based on the estimated useful lives of 5 years.
- b. Long-Lived Assets*—The Centre reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the net selling price at disposition.
- c. Severance Benefits*—Staff members of the Centre are entitled to receive a lump-sum payment upon termination of their employment either by resignation or retirement. The amount of benefits for a permanent appointee is determined based on the rate of one-month base salary at the time of resignation or retirement for every completed year of service. For a fixed-term appointee, it is determined at the rate of monthly base salary for a year of service computed on a pro-rata, monthly basis effective at the time of termination of his/her employment in accordance with 'RULES AND REGULATIONS.' The Centre has recorded a 100% liability for the amount that the Centre would have to pay for all the staff members if they resign at the balance sheet date. This is permitted under generally accepted accounting principles in Japan for certain companies whose number of staff members is less than three hundred. The provision charged to operations for the year ended March 31, 2010 amounted to ¥12,679,329 (\$136,278).

d. New Accounting Pronouncement

Asset Retirement Obligations—On March 31, 2008, Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*

When a new accounting policy is applied with a revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentation*

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

4. LONG-LIVED ASSETS

The Centre reviewed its long-lived assets for impairment as of March 31, 2010 and, as a result, recognized no impairment loss.

5. SOURCE OF FUNDING

a. Contributions

The contributions from Member Countries are recognized as revenues in the year when such contributions become due and payable.

The members of the Centre made the following contributions for the year ended March 31, 2010:

| | <u>Japanese Yen</u> | <u>U.S. Dollars</u> |
|------------------------------------|----------------------|---------------------|
| Obligatory contributions: | | |
| Japan | ¥ 473,585,000 | \$ 5,090,123 |
| ASEAN Member Countries | 52,620,000 | 565,563 |
| Rent for Permanent Exhibition Hall | 44,384,000 | 477,042 |
| Voluntary contributions from Japan | <u>132,939,000</u> | <u>1,428,837</u> |
| Total | <u>¥ 703,528,000</u> | <u>\$ 7,561,565</u> |

Article X of the Agreement establishing the Centre states that "Except for the rent of the Permanent ASEAN Trade, Investment and Tourism Exhibition Hall, which shall be borne by Japan, the annual budget of the Centre shall be met in the following proportion: Japan: 90 percent, the ASEAN Member Countries: 10 percent." This annual budget is now referred to as obligatory contributions.

In addition, the Centre also receives voluntary contributions from Japan, which started in 1988 to meet its increasing financial requirements for the implementation of the Centre's new programs and projects.

b. Other Funding

The Centre received extra funding from the ASEAN-Japan Integration Fund ("JAIF") and the ASEAN-Japan General Exchange Fund ("JAGEF") for the years ended March 31, 2007 through 2009. The Centre recognized these funds as revenues in conformity with the percentage of completion method. Unrecognized revenues from JAIF and JAGEF were recorded as "Receipts in advance" on the balance sheet as of March 31, 2010.

The funds from JAIF in FY2009 were as follows:

| | <u>Japanese Yen</u> | <u>U.S. Dollars</u> |
|--|---------------------|---------------------|
| Funds from JAIF (Promotion of ASEAN Tourism) | ¥ 632,700 | \$ 6,800 |
| Funds from JAIF (the CLMV Tourism Promotion) | <u>16,181,949</u> | <u>173,925</u> |
| Total | <u>¥ 16,814,649</u> | <u>\$ 180,725</u> |

First, the funds from JAIF were used for the expenses of five projects. The expenses of the project "Capacity Building Workshop on Japanese FDI," which was implemented during FY2007, were included in the expenses under "Investment." The remaining balance was settled in FY2008.

The three projects out of the other four, "Establishment of the Japan-ASEAN Design Council," "Capacity-Building Program—The B.E.S.T. Program for SMEs" and "Capacity-Building Program on Information and Communications Technology—Transforming ASEAN TPO Websites into Transactions-based Web Services" which were implemented during FY2008, were included in the expenses under "Trade."

The major portion of the project "Promotion of ASEAN Tourism: To Enhance ASEAN's Image Recovery" which was implemented during FY2009, was included in the expenses under "Tourism."

Second, the other JAIF funds were used for the expenses of the project, "Survey for the CLMV Tourism Promotion", which has been ongoing as of March 31, 2010 and is expected to continue until May 2010. The expenses were included in the expenses under "Tourism."

The other JAIF funds were used for the expenses of the four projects in commemoration of the 40th Anniversary of the ASEAN Foundation and the funds from JAGEF were used for the expenses of the project "CLMV Regional Investment Promotion Seminar: Opportunities and Challenges of the Sub-region as a Japanese Investment Destination", which was already implemented during FY2007.

The remaining funds from JAIF and JAGEF balance of ¥30,422,031 (\$326,978) were recorded as "Receipts in advance" on the balance sheet as of March 31, 2010.

6. COMMITMENTS

a. Lease Commitments and Loan from Bank

As of March 31, 2010, the aggregate lease deposits of ¥62,562,240 (\$672,423) consist of ¥60,480,000 (\$650,043) and ¥2,082,240 (\$22,380) for the Exhibition Hall/Secretariat Office including the Information Corner in Onarimon, and the storage in Onarimon, respectively.

Total monthly rents, including maintenance fees for the Exhibition Hall/Secretariat Office and Information Corner, the signboard fee and the storage in Onarimon are ¥5,936,000 (\$63,801), ¥60,000 (\$645) and ¥347,040 (\$3,730), respectively.

The amount of ¥62,562,240 (\$672,423) for the current office lease deposit was financed by bank loans, which bear an interest rate of 2.770% per annum on January 20, 2009. The principal amount is payable on March 22, 2011. The interest expenses were included under the "Rent for Permanent Exhibition Hall."

b. Deposit

As of March 31, 2010, a deposit of ¥500,000 (\$5,374) for provisional premiums of overseas travel accident insurance for mission members from ASEAN countries to participate in the Centre's activities, is refundable from Mitsui Sumitomo Insurance Company, Limited, upon the termination of the contract.

c. Contractual Purchase Obligations

The Centre has contractual purchase obligations related to the annual budget for FY2009 as of March 31, 2010. The amount of the obligations is ¥2,536,130 (\$27,258), which consists of ¥2,388,976 (\$25,677) for investment activities, ¥112,154 (\$1,205) for public relations activities, ¥4,000 (\$43) for trade activities and ¥31,000 (\$333) for ASEAN national activities as of March 31, 2010.

7. FUND BALANCE

a. Appropriated for Special Fund

The Centre Council periodically appropriates fund balances for the contingency fund and special fund. As of March 31, 2010, the aggregate appropriated fund balance of ¥43,760,510 (\$470,341) consists of ¥2,204,000 (\$23,689) and ¥41,556,510 (\$446,652) for the contingency fund and special fund, respectively.

b. Appropriated for Earmarked Expenses

The amount of earmarked expenses, which consists of outstanding purchase orders and other commitments for materials and services not received as of the balance sheet date of March 31, 2010, was not recorded as "Accounts payable" on the balance sheet and "Expenses" on the statement of revenue, expenses and changes in fund balance in accordance with generally accepted accounting principles in Japan.

The amount of ¥2,536,130 (\$27,258) is appropriated for contractual purchase obligations.

c. Appropriated for Relocation Expenses

The amount of ¥(68,808,520) (\$(739,558)) was for the Exhibition Hall/Secretariat Office relocation related expenses in March 2009.

The amount of ¥(68,808,520) (\$(739,558)) was financed by bank loans, which bear an interest rate of 2.760% per annum on May 15, 2009. The principal amount is payable on June 30, 2010. The interest expenses were included under the "Rent for Permanent Exhibition Hall."

The amount of ¥24,083,000 (\$258,845) is recovered by contributions from the Government of Japan in FY2010, and the remaining balance of ¥44,725,520 (\$480,713) will be recovered through ten-year-installment starting from FY2011 by contributions from the Government of Japan.

* * * * *