

**EUROPEAN TRADE ASSOCIATION FOR BUSINESS
AND COMMERCE (EABC)**

FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

To the Member of European Trade Association for Business and Commerce

Opinion

We have audited the financial statements of European Trade Association for Business and Commerce, which comprise the statement of financial position as at December 31, 2016, and the statement of income and statement of changes in fund balance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of European Trade Association for Business and Commerce as at December 31, 2016, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non – Publicly Accountable Entities.

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Chamber in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Chamber or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chamber's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



(Somkiat Hiranbantaporn)
Certified Public Accountant
Registration No. 4754

NYC Audit Co., Ltd.
Bangkok
21 August 2017

European Trade Association for Business and Commerce
Statement of Financial Position
As at 31 December 2016

	<u>Notes</u>	<u>2016 Baht</u>	<u>2015 Baht</u>
Assets			
Current assets			
Cash and cash equivalents	3	966,989	2,137,301
Membership fees and other receivables	4	552,857	689,044
Amount due from the Beneficiary	5	335,564	3,576,894
Amounts due from the European Commission	6	<u>7,534,000</u>	<u>1,832,224</u>
Total current assets		<u>9,389,410</u>	<u>8,235,463</u>
Non-current assets			
Other non-current assets	7	<u>294,777</u>	<u>294,777</u>
Total non-current assets		<u>294,777</u>	<u>294,777</u>
Total assets		<u><u>9,684,187</u></u>	<u><u>8,530,240</u></u>

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The accompanying notes are an integral part of these financial statements.

European Trade Association for Business and Commerce
Statement of Financial Position (Cont'd)
As at 31 December 2016

	<u>Notes</u>	<u>2016 Baht</u>	<u>2015 Baht</u>
Liabilities and fund balance			
Current liabilities			
Other payables	8	8,676,267	7,202,320
Contributions received in advance from the European Commission	6	-	-
Income tax payable		<u>27,009</u>	<u>31,324</u>
Total current liabilities		<u>8,703,276</u>	<u>7,233,644</u>
Total liabilities		<u>8,703,276</u>	<u>7,233,644</u>
Fund balance			
Accumulated excess (shortage) of income over (under) expenditure.		<u>980,911</u>	<u>1,296,596</u>
Total fund balance		<u>980,911</u>	<u>1,296,596</u>
Total liabilities and fund balance		<u>9,684,187</u>	<u>8,530,240</u>

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The accompanying notes are an integral part of these financial statements.

European Trade Association for Business and Commerce
Statement of Income and Expenditure
For the year ended 31 December 2016

	<u>Note</u>	<u>2016 Baht</u>	<u>2015 Baht</u>
Income			
Contributions received from the European Commission	6	7,845,576	14,352,690
Membership fees		2,023,734	1,971,416
Luncheons and seminar fees		184,184	198,423
Publications		204,628	587,450
Sponsorship		1,322,627	1,417,010
Gain from exchange rate - net		5,937	-
Interest income		27,342	36,205
Others		120,020	1,000
Total income		11,734,048	18,564,194
Expenditure			
Eligible expenses			
Human resources		8,341,725	10,051,787
Travelling expenses		31,671	796,345
Equipment and supplies		145,028	59,864
Local office expenses		1,540,366	1,567,370
Other direct costs and services		1,207,714	2,161,443
Other expenses		333,797	1,876,055
Total eligible expenses		11,600,301	16,512,864
Non-eligible expenses			
Income tax		935	51,032
Others		448,497	1,629,723
Total non-eligible expenses		449,432	1,680,755
Total Expenditure		12,049,733	18,193,619
Excess (Shortage) of income over (under) expenditure		(315,685)	370,575

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The accompanying notes are an integral part of these financial statements.

European Trade Association for Business and Commerce
Statement of Changes in Fund balance
For the year ended 31 December 2016

	Total Baht
Fund balance as at 31 December 2014	926,021
Excess of income over expenditure	<u>370,575</u>
Fund balance as at 31 December 2015	1,296,596
Excess of income over expenditure	<u>(315,685)</u>
Fund balance as at 31 December 2016	<u><u>980,911</u></u>

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The accompanying notes are an integral part of these financial statements.

1 General information

European Trade Association for Business and Commerce (EABC) - (“the Association”) was registered in Thailand as an association under Section 10 of the New Association Act B.E. 2509 (Revised B.E. 2550) with Ministry of Commerce on November 28, 2011. The Association has its registered office at 25th Floor, Empire Tower 3, No.1 South Sathorn Road, Sathorn, Bangkok 10120.

The principal activities of the Association are to increase and further diversify investment and market possibilities for European companies in Thailand and ASEAN and to promote the region as high-potential trade and investment markets to Europeans, especially for SMEs as well as companies from countries that do not yet have an official business representation within Thailand and/or ASEAN.

Under the Grant Contract “External Actions of the European Union”, Reference No. PP-AP/2010/255-307 (the “Grant Contract”) between the European Union, represented by the European Commission (the “EC”) and the German-Thai Chamber of Commerce (“the Beneficiary”) dated December 23, 2010, the EC committed to contribute up to EUR 2,000,000 within 48 months from the contract date towards the establishment of a sustainable “Centre” that facilitates market access for European businesses, especially European SMEs, in Thailand and to promote Thailand and ASEAN as high-potential trade and investment markets for European businesses. An additional objective is to pool existing services, knowledge and resources of the European Chambers of Commerce in Thailand (ECCT) and partners to create synergies that benefit European business. Further, the Centre will represent European companies that do not have their own support structure in Thailand.

Under the Grant Contract, the Association has to comply with the specific terms and conditions in the Grant Contract and its annexes. The Grant will cover up to 86.92% of the eligible costs of Action; the remaining balance is for the account of the EABC, its partners, and the Beneficiary.

The board of directors meetings No.2/2015 held on August 4, 2015, extended the contribution period of grant contract from the original period ended December 2014 to December 2016 because the fund is still remaining within the period.

The financial statements have been approved the authorized directors of the Association on 21 August 2017

2 Accounting policies

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

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention, except as discussed in accounting policies.

The financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statement have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statement in conformity with the accounting policy of the Association requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

2.2 Foreign currency translation

Items included in the financial statements of the Association are measured using Thai Baht. The financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, foreign currency monetary balances are translated using the closing rate. Monetary assets denominated in foreign currencies are translated into Thai Baht using a bank's buying rate and monetary liabilities denominated in foreign currencies are translated into Thai Baht using a bank's selling rate. Non-monetary balances denominated in foreign currencies are carried at historical cost using the exchange rate at the transaction date.

Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in statements of income and expenditure.

2 Accounting policies (Cont'd)

2.3 Cash and cash equivalents

Cash comprises cash on hand, deposits held at call with banks but excludes deposits with banks which are held to maturity, certificates of deposit issued by commercial banks and other financial institutions, and restricted deposits. Cash equivalents comprise short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2.4 Membership fees and other receivables

Membership fees and other receivable are stated at the net realisable value.

Membership fees and other receivable are initially recognised at the fair value of the consideration received or receivable and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in statement of income and expenditure.

2.5 Provisions

Provisions are recognised when the Association has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.6 Income and expenditure recognition

Income and expenditure are recognized on an accrual basis.

Contributions received from the European Commission

Contributions received from the European Commission are recognised on the accrual basis, as being 86.92% of the total eligible cost of actions incurred and in conformity with the terms and conditions specified in the Grant Contract.

2.7 Equipment and supplies

The Association records fixed assets for the period of the Grant Contract as expenditure. Because going forward they will capitalize.

2.8 Employee benefits

The Association recognises salaries, wages, bonus and social security contribution as expenses on an accrual basis.

2 Accounting policies (Cont'd)

2.9 Corporate income tax

Corporate income tax is accounted for based on taxable income as per the tax legislation. The Association recorded income tax as an expense for the period, and recorded the accrued portion as a liability in the statement of financial position.

2.10 Leases - where the Association is the lessee

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income and expenditure on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expenses in the period in which termination takes place.

3 Cash and cash equivalents

	2016	2015
	Baht	Baht
Cash on hand	-	16,449
Deposit at a financial institution - saving accounts	861,803	2,020,852
Deposit at a financial institution - current account	105,186	100,000
	<u>966,989</u>	<u>2,137,301</u>

4 Membership fees and other receivables, net

	2016	2015
	Baht	Baht
Membership fees receivable, net	829,250	23,540
Other service fee receivables	(716,481)	120,180
Prepayments	-	86,226
Revenue Department receivable	412,329	448,971
Others	27,759	10,126
Total other receivables	<u>(276,393)</u>	<u>665,504</u>
Membership fees and other receivables, net	<u>552,857</u>	<u>689,044</u>

European Trade Association for Business and Commerce
Notes to the Financial Statements
For the year ended 31 December 2016

5 Amount due from the beneficiary

	2016	2015
	Baht	Baht
Deposit at a financial institution - saving account	335,182	3,543,324
Deposit at a financial institution - current account	382	33,570
Total beneficiary receivable	<u>335,564</u>	<u>3,576,894</u>

As at 31 December 2016 and 2015 the amount due from the Beneficiary is contributions received from the European Commission via the Beneficiary's the local bank accounts under the title of German-Thai Chamber of Commerce in conformity with the terms and conditions specified in the Grant Contract.

6 Contributions due from the European Commission

	2016	2015
	Baht	Baht
Opening balance	1,832,224	(3,447,339)
Contributions received by the beneficiary during the year	(2,505,511)	(11,697,005)
Contributions funded for eligible costs during the year	7,845,576	14,352,690
Advance received to GTCC for 4.5% administration fee	361,711	3,068,705
Administrative fee of EABC	-	(444,827)
Closing balance	<u>7,534,000</u>	<u>1,832,224</u>

The contributions received from European Commission via the Beneficiary were recognized as income as being 86.92% of the total eligible cost of actions incurred and in conformity with the terms and conditions specified in the Grant Contract of each year.

7 Other non-current assets

	2016	2015
	Baht	Baht
Rental deposit	294,777	294,777
Others	-	-
Total Other non-current assets	<u>294,777</u>	<u>294,777</u>

European Trade Association for Business and Commerce
Notes to the Financial Statements
For the year ended 31 December 2016

8 Other payables

	2016	2015
	Baht	Baht
Advance payable – the Beneficiary	5,849,561	4,921,313
Other payable	613,848	669,598
Accrued withholding tax	-	66,190
Accrued expenses	1,157,923	601,890
Advance received revenue	1,054,935	943,330
Total Other payables	<u>8,676,267</u>	<u>7,202,320</u>

9 Commitments

Operating lease commitments

The Association has entered into an office space lease agreement and related service agreements. As at December 31, 2016, future minimum lease payments required under this non-cancellable operating were as follows:

	2016	2015
	Baht	Baht
Payments due - within 1 year	258,678	1,034,712
- later than 1 year but not later than 5 years	-	258,678
Total operating lease commitments	<u>258,678</u>	<u>1,293,390</u>

Under the lease agreement and related service agreement, the Association has paid deposit amounted to Baht 0.26 million to the lessor, this is refundable at the end of the agreement.

10 Reclassification

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year which does not affect the reported net operation result of year 2015.