

Audited Project Financial Statements

Project Number: 40253-023

Loan Number: 2721-VIE

Period covered: 1 January 2016 to 31 December 2016

CAM/LAO/VIE: Greater Mekong Subregion Biodiversity Conservation Corridors Project

Prepared by Quang Tri Provincial Project Management Unit, Quang Tri Provincial People's Committee

For the Asian Development Bank

Date received by ADB: 5 October 2017

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**QUANG TRI PROVINCIAL PROJECT MANAGEMENT UNIT
GREATER MEKONG SUBREGION BIODIVERSITY CONSERVATION
CORRIDORS PROJECT – PHASE II
Loan Agreement No. 2721-VIE(SF)**

AUDITED FINANCIAL STATEMENTS

For the year ended 31/12/2016

ASIAN DEVELOPMENT BANK



**Disbursement Operations
Division (VRM)**

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PART I

FINANCIAL STATEMENTS

QUANG TRI PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project- Phase 2
Loan Agreement No. 2721-VIE(SF)

STATEMENT OF THE PROJECT MANAGEMENT UNIT

Quang Tri Provincial Project Management Unit of Greater Mekong subregion biodiversity conservation corridors project – Phase 2 (“the PMU”, “the Project Management Unit”) presents this report together with the financial statements of the Greater Mekong subregion biodiversity conservation corridors project – Phase 2, the work done in Quang Tri province (“the Project”) for the year ended 31/12/2016.

Provincial Project Management Unit

The members of the Project Management Unit who held office during the year and at the date of this report are as follows:

| | |
|--------------------------|---------------------|
| Mr: Nguyen Trung Khoa | Director |
| Mr: Vo Van Dung | Deputy Director |
| Ms: Nguyen Thi Mai Huong | Chief Accountant |
| Ms: Luu Thi Binh | Project Coordinator |

The Project Management Unit's Statement of Responsibility

The PMU is responsible for preparing the Project's financial statements, which give a true and fair view of the balances of assets, liabilities and funds as at 31/12/2016 as well as the receipts and disbursements of the Project, actual expenditure for the year ended 31/12/2016, in accordance with the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and the covenants contained in Loan Agreement No. 2721-VIE(SF). In preparing these financial statements, the PMU is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Design and implement an effective internal control for the purpose of properly preparing and presenting the financial statements so as to minimize risks and frauds.

The PMU is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Project and ensuring that the funds have been used as intended for the Project. The PMU is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The PMU confirms that they have complied with the above requirements in preparing these financial statements.

For and on behalf of the PMU,



Nguyen Trung Khoa
Director

Quang Tri, 15 August 2017

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: **The Quang Tri Provincial Project Management Unit
Greater Mekong subregion biodiversity conservation corridors project – Phase 2**

Auditor's Opinion

We have audited the accompanying Balance sheet as at 31/12/2016, Statement of receipts and disbursements, Statement of actual expenditure compared to budget, Statement of imprest account, Statement of loan withdrawals for the year ended 31/12/2016 and the Notes to the financial statements (collectively referred to as "the financial statements") of the Greater Mekong subregion biodiversity conservation corridors project – Phase 2 ("the Project"). The financial statements have been prepared by Quang Tri Provincial Project Management Unit using regulations on preparation and presentation of financial statements set out in Note 2 and Note 3 of the Notes to the financial statements.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the balances of assets, liabilities and funds as at 31/12/2016, its financial receipts and disbursements of the Project for the year then ended in accordance with regulations of preparation and presentation of financial statements set out in Note 2 and Note 3 of the accompanying Notes of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Project Management Unit in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we would like to draw reader's attention to Note II and Note III of the Notes to the financial statements, which describe the regulations on preparation and presentation of financial statements. The financial statements are prepared to assist the Project to meet the requirements of the Asian Development Bank. As a result, the financial statements are not suitable for another purpose.

Responsibility of the Quang Tri Provincial Project Management Unit for the Financial Statements

The Quang Tri Provincial Project Management Unit of Greater Mekong subregion biodiversity conservation corridors project – Phase 2 ("the Project Management Unit") is responsible for the preparation and presentation of these financial statements in accordance with regulations on preparation and presentation of financial statements set out in Note II and Note III of the Notes to the financial statements and for such internal control as the Project Management Unit 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, the Project Management Unit is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Project Management Unit either intends to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (Continued)

Auditor's Responsibility 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 ISAs 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 ISAs, 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Management Unit.
- Conclude on the appropriateness of Project Management Unit'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 Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures 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 auditors' report. However, future events or conditions may cause the Project 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 those charged with Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies (if any) in internal control that we identify during our audit.



Nguyen Thị Phương Thao
Deputy General Director
Practicing Certificate No.0933-2014-112-1

For and on behalf of
UHY Auditing and Consulting Company Limited
Hanoi, 15 August 2017

Tran Thi Van Anh
Auditor
Practicing Certificate No. 0037-2016-112-1

BALANCE SHEET

As at 31/12/2016

Unit: VND

| | Note | 31/12/2016 VND | 31/12/2015 VND |
|-----------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| I. Current assets | | 11,330,945,634 | 5,913,690,080 |
| Cash | 6 | 5,307,098,800 | 3,433,469,246 |
| Cash on hand | | 65,600,000 | - |
| Cash in bank, state treasury | | 5,241,498,800 | 3,433,469,246 |
| Accounts receivable | | 6,023,846,834 | 2,480,220,834 |
| Advances to supplier | 7 | 6,023,846,834 | 2,480,220,834 |
| II. Non - current assets | | 55,108,777,834 | 34,195,014,134 |
| Tangible fixed assets | | 2,893,899,864 | 1,923,175,610 |
| Cost | | 4,254,383,600 | 2,986,742,600 |
| Accumulated depreciation | | (1,360,483,736) | (1,063,566,990) |
| Project implementing expenditures | 8 | 52,214,877,970 | 32,271,838,524 |
| Project implementing expenditures | | 52,896,379,573 | 32,744,705,323 |
| Foreign Exchange rate differences | | (681,501,603) | (472,866,799) |
| TOTAL ASSETS | | 66,439,723,468 | 40,108,704,214 |

BALANCE SHEET (continued)

As at 31/12/2016

Unit: VND

RESOURCES

| | | | |
|------------------------------------|----|-----------------------|-----------------------|
| II, Funds | | <u>66,439,723,468</u> | <u>40,108,704,214</u> |
| Project funds | | 63,545,823,604 | 38,185,528,604 |
| ADB fund | 9 | 63,467,762,166 | 38,107,670,166 |
| Other funds | 10 | 78,061,438 | 77,858,438 |
| Other fund | | 2,893,899,864 | 1,923,175,610 |
| Funds for fixed assets acquisition | | 2,893,899,864 | 1,923,175,610 |
| TOTAL RESOURCES | | <u>66,439,723,468</u> | <u>40,108,704,214</u> |

OFF-BALANCE SHEET ITEMS

| Items | <u>31/12/2016</u> | <u>31/12/2015</u> |
|-----------------------|-------------------|-------------------|
| 1. Foreign currencies | | |
| USD | 229,838.67 | 151,513.99 |



Nguyễn Trương Khoa
 Director

Quang Tri, 15 August 2017

Nguyễn Thị Mai Hương
 Chief Accountant

Nguyễn Thị Bích Thủy
 Preparer

QUANG TRI PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project – Phase 2

Loan Agreement No. 2721 - VIE(SF)

FINANCIAL STATEMENTS

For the year ended
31/12/2016

STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the year ended 31/12/2016

Unit: VND

| No. | Contents | For the year ended 31/12/2016 | | | | Accumulated to 31/12/2016 | | | |
|-----------------------------|------------------------------|-------------------------------|-------------|---------------------|----------------|---------------------------|-------------|---------------------|----------------|
| | | ADB | Counterpart | Others (Note 10) | Total | ADB | Counterpart | Others (Note 10) | Total |
| I. RECEIPTS | | | | | | | | | |
| 1 | ADB fund | 25,360,092,000 | - | 203,000 | 25,360,295,000 | 63,467,762,166 | - | 78,061,438 | 63,545,823,604 |
| 2 | Counterpart fund | 25,360,092,000 | - | - | 25,360,092,000 | 63,467,762,166 | - | - | 63,467,762,166 |
| 3 | Other funds | - | - | - | - | - | - | - | - |
| | | - | - | 203,000 | 203,000 | - | - | 78,061,438 | 78,061,438 |
| II. DISBURSEMENTS | | | | | | | | | |
| 1 | Civil works | 23,677,623,432 | - | 17,676,818 | 23,695,300,250 | 58,873,643,314 | - | 46,583,093 | 58,920,226,407 |
| 2 | Transportation and Equipment | 4,696,095,000 | - | - | 4,696,095,000 | 8,653,154,000 | - | - | 8,653,154,000 |
| 3 | Good and Material | - | - | - | - | 2,058,180,787 | - | - | 2,058,180,787 |
| 4 | Improving Livelihoods | 13,576,399,500 | - | - | 13,576,399,500 | 27,251,810,255 | - | - | 27,251,810,255 |
| 5 | Consulting service | 2,082,344,850 | - | - | 2,082,344,850 | 11,231,888,497 | - | - | 11,231,888,497 |
| 6 | Capacity Building | 1,525,655,100 | - | - | 1,525,655,100 | 3,142,509,000 | - | - | 3,142,509,000 |
| 7 | Operating expenses | 987,404,000 | - | - | 987,404,000 | 3,447,342,435 | - | - | 3,447,342,435 |
| | | 809,724,982 | - | 17,676,818 | 827,401,800 | 3,088,758,340 | - | 46,583,093 | 3,135,341,433 |
| III. OPENING BALANCE | | 2,911,650,284 | - | 48,952,163 | 2,960,602,447 | - | - | - | - |
| IV. CLOSING BALANCE | | 4,594,118,852 | - | 31,478,345 | 4,625,597,197 | 4,594,118,852 | - | 31,478,345 | 4,625,597,197 |



Nguyen Truong Khoa
Director

Nguyen Thi Mai Huong
Chief Accountant

Nguyen Thi Bich Thuy
Preparer

Quang Tri, 15 August 2017

STATEMENT OF ACTUAL EXPENDITURE COMPARED TO BUDGET

For the year ended 31/12/2016

Unit: VND

| No. | Name of CAT | ADB fund | | |
|-----|------------------------------|--------------------------------|-----------------------|-----------------------|
| | | Authorized estimate budget (A) | Actual expenses (B) | Difference (A)-(B) |
| 1 | Civil work | 28,435,123,000 | 4,696,095,000 | 23,739,028,000 |
| 2 | Transportation and Equipment | - | - | - |
| 3 | Good and services | 43,143,961,000 | 10,050,450,318 | 33,093,510,682 |
| 4 | Improving Livelihoods | 8,192,731,000 | 2,082,344,850 | 6,110,386,150 |
| 5 | Consulting services | 1,453,117,000 | 1,525,655,100 | (72,538,100) |
| 6 | Capacity Building | 712,640,000 | 987,404,000 | (274,764,000) |
| 7 | Project Management | 2,141,024,000 | 792,048,164 | 1,348,975,836 |
| | Total | 84,078,596,000 | 20,133,997,432 | 63,944,598,568 |



Nguyen Truong Khoa
Director

Quang Tri, 15 August 2017

Nguyen Thi Mai Huong
Chief Accountant

Nguyen Thi Bich Thuy
Preparer

STATEMENT OF IMPREST ACCOUNT

Quang Tri Province

| | |
|--------------------|---|
| For the year | Ended 31/12/2016 |
| Account Number | 3900201009949 |
| Depository bank | Vietnam Bank for Agriculture and Rural development - Quang Tri Branch |
| Address | No 1 - Le Quy Don - Dong Ha City - Quang Tri Province |
| Loan Agreement No. | 2721-VIE(SF) |
| Currency unit | USD |

Amount

PART A: ACCOUNT ACTIVITY

| | |
|--|---------------------|
| Opening balance (01/01/2016) | 134,264.67 |
| Add: | 1,136,242.55 |
| Total Amount first advanced by ADB | 1,131,899.86 |
| Total amount recover by transferring wrong amount by the ADB | 4,342.69 |
| Total interest earned | - |
| Deduct: | 1,072,617.70 |
| Total amount withdrawn | 1,072,617.70 |
| Total interest transferred to a separate account | - |
| Closing balance (31/12/2016) | 197,889.52 |

PART B: ACCOUNT RECONCILIATION

| | |
|--|-------------------|
| 1 Amount advanced by the ADB | 749,696.00 |
| 2 Deduct: Total amount recovered by the ADB | - |
| 3 Present outstanding amount advanced to Imprest Account as at 31/12/2016 | 749,696.00 |
| 4 Closing balance of Imprest Account (31/12/2016) | 197,889.52 |
| 5 Add: Amounts claimed and not yet credited | - |
| 6 Add: Amounts withdrawn and not yet claimed | 551,806.48 |
| 7 Deduct: Interest earned (if included in Imprest Account) | - |
| 8 Add: Service charges (if not included in the lines 5 and 6 above) | - |
| 9 Total advance to Imprest Account accounted for as at 31/12/2016 | 749,696.00 |



Nguyen Trung Khoa
 Director

Quang Tri, 15 August 2017

Nguyen Thi Mai Huong
 Chief Accountant

Nguyen Thi Bich Thuy
 Preparer

STATEMENT OF SECOND GENERATION IMPREST ACCOUNT
Dakrong District

| | |
|--------------------|---|
| For the year | Ended 31/12/2016 |
| Account Number | 3908201003028 |
| Depository bank | Vietnam Bank for Agriculture and Rural development - Dakrong Branch |
| Address | Km 41 - Krong Klang Town - Dakrong District - Quang Tri |
| Loan Agreement No. | 2721-VIE(SF) |
| Currency unit | USD |

Amount

PART A: ACCOUNT ACTIVITY

| | |
|--|-------------------|
| Opening balance (01/01/2016) | 8,869.67 |
| Add: | 244,062.04 |
| Total amount replenished by the PPMU | 244.062.04 |
| Total interest earned | - |
| Deduct: | 240,610.35 |
| Total amount withdrawn | 240.610.35 |
| Total interest transferred to a separate account | - |
| Closing balance (31/12/2016) | 12,321.36 |

PART B: ACCOUNT RECONCILIATION

| | |
|--|-------------------|
| 1 Amount advanced by the PPMU | 155,831.29 |
| 2 Deduct: Total amount recovered by the PPMU | - |
| 3 Present outstanding amount advanced to Imprest Account as at 31/12/2016 | 155,831.29 |
| 4 Closing balance of Imprest Account (31/12/2016) | 12,321.36 |
| 5 Add: Amounts claimed and not yet credited | - |
| 6 Add: Amounts withdrawn and not yet claimed | 143,509.93 |
| 7 Deduct: Interest earned (if included in Imprest Account) | - |
| 8 Add: Service charges (if not included in the lines 5 and 6 above) | - |
| 9 Total advance to Imprest Account accounted for as at 31/12/2016 | 155,831.29 |

STATEMENT OF SECOND GENERATION IMPREST ACCOUNT

Huong Hoa District

| | |
|--------------------|---|
| For the year | Ended 31/12/2016 |
| Account Number | 3907201004528 |
| Depository bank | Vietnam Bank for Agriculture and Rural development - Huong Hoa Branch |
| Address | Khe Sanh Town - Huong Hoa District - Quang Tri |
| Loan Agreement No. | 2721-VIE(SF) |
| Currency unit | USD |

Amount

PART A: ACCOUNT ACTIVITY

| | |
|------------------------------|----------|
| Opening balance (01/01/2016) | 8,379.65 |
|------------------------------|----------|

| | |
|--------------------------------------|------------|
| Add: | 192,886.87 |
| Total amount replenished by the PPMU | 192,886.87 |
| Total interest earned | - |

| | |
|--|------------|
| Deduct: | 181,638.73 |
| Total amount withdrawn | 181,638.73 |
| Total interest transferred to a separate account | - |

| | |
|------------------------------|-----------|
| Closing balance (31/12/2016) | 19,627.79 |
|------------------------------|-----------|

PART B: ACCOUNT RECONCILIATION

| | |
|---|------------|
| 1 Amount advanced by the PPMU | 127,740.00 |
| 2 Deduct: Total amount recovered by the PPMU | - |
| 3 Present outstanding amount advanced to Imprest Account as at 31/12/2016 | 127,740.00 |
| 4 Closing balance of Imprest Account (31/12/2016) | 19,627.79 |
| 5 Add: Amounts claimed and not yet credited | - |
| 6 Add: Amounts withdrawn and not yet claimed | 108,112.21 |
| 7 Deduct: Interest earned (if included in Imprest Account) | - |
| 8 Add: Service charges (if not included in the lines 5 and 6 above) | - |
| 9 Total advance to Imprest Account accounted for as at 31/12/2016 | 127,740.00 |



Nguyen Truong Khoa
 Director

Quang Tri 15 August 2017

Nguyen Thi Mai Huong
 Chief Accountant

Nguyen Thi Bich Thuy
 Preparer

STATEMENT OF LOAN WITHDRAWALS

For the year ended 31/12/2016

| Withdrawal Application | | | Amount demand | | | | | | | Amount disbursed | | Difference (*) | |
|------------------------|------------|----------|----------------|-----------|------------|--------------------------|-----------------------|----------------------|-----------------------|------------------|------------|-------------------|-------|
| No. | Date | Currency | Civil works | Equipment | Materials | Improving Livelihoods | Consulting service | Capacity Building | Operating expenses | Total | Date | | USD |
| Imprest account | | | | | | | | | | | | | |
| T0008 | 26/01/2016 | USD | 176,289.39 | 9,500.56 | 253,467.16 | 75,648.36 | 59,362.85 | 10,976.55 | 12,916.38 | 598,161.25 | 21/04/2016 | 598,151.25 | 10.00 |
| T0009 | 15/02/2016 | USD | 67,472.59 | - | 5,049.37 | - | - | - | - | 72,521.96 | 04/05/2016 | 72,511.96 | 10.00 |
| T0010 | 07/06/2016 | USD | 65,353.61 | - | 28,713.63 | 8,541.57 | 13,977.60 | 933.18 | 7,862.02 | 125,381.61 | 20/07/2016 | 125,371.61 | 10.00 |
| T0011 | 20/10/2016 | USD | 78,317.38 | - | 24,646.83 | 11,441.65 | 15,713.81 | 21,454.01 | 13,141.44 | 164,715.12 | 19/12/2016 | 164,705.12 | 10.00 |
| T0012 | 03/12/2016 | USD | - | - | 142,568.12 | 5,080.86 | 6,947.63 | 11,974.11 | 4,599.20 | 171,169.92 | 20/12/2016 | 171,159.92 | 10.00 |
| Total | | | 387,432.97 | 9,500.56 | 454,445.11 | 100,712.44 | 96,001.89 | 45,337.85 | 38,519.04 | 1,131,949.86 | | | 50.00 |

Note:

(*) Difference due to: Bank's fee



Nguyen Truong Khoa
 Director

Quang Tri, 15 August 2017

Nguyen Thi Mai Huong
 Chief Accountant

Nguyen Thi Bich Thuy
 Preparer

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

The Project will enhance transboundary cooperation and management of forest ecosystems between countries of the Greater Mekong Subregion (GMS). The GMS Governments, with support from ADB, have identified the most important biodiversity conservation landscapes in the subregion that are, vulnerable to increased development pressures and environmental degradation. In Viet Nam, the project will address the fragmentation of the biodiversity rich forest landscape of central Viet Nam which included the three provinces of Quang Nam, Quang Tri and Quang Tri, impairing its ability to provide critical ecosystem services necessary for sustaining local livelihoods and investments in hydropower, transport, water and food-security enhancing sectors. The Project will promote sustainable resource use, and restore and enhance these productive landscapes. It will do so through conservation and development activities. The project will promote the sustainable use of natural resources, restore and enhance production of this scenic area. The project implementation period is projected from 5/2011 to 9/2019.

The project was implemented in 12 communes of Dakrong and Huong Hoa districts of Quang Tri province.

- Enhance capacities for central, provincial, district, communal levels in the project implementing areas in biodiversity corridor planning, corridor plan development and implementation.

- Conduct forest rehabilitation and reforestation to the connectivity of biodiversity corridors and increase the medium-rich forest areas in the 34 selected communes in the biodiversity corridor area.

- Propose solutions for livelihoods and Millennium development goals linked with small-scale infrastructure to contribute to reduce poverty and improve the living conditions of ethnic minorities in poor mountainous districts in the project area.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD**Accounting convention**

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost. These financial statements are prepared per the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards, the public-sector administrative accounting policies issues under Decision No. 19/2006/QĐ- BTC dated 30/03/2006 enforcing the regulations on administrative accounting and Circular No. 185/2010/TT-BTC, date 15/11/2010 providing guidance on amending and supplementing the public-sector administrative accounting regulations.

Accounting period

The Project's fiscal year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Project Management Unit in the preparation of these financial statements, are as follows:

Receivables

Receivables are recognised on the basis of actual amounts at occurring transaction and amounts advance to suppliers in accordance with the terms of the contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Payables

Payables are recognised on the basis of actual expenditure occurred and work was had official acceptance by PMU and supplier.

Foreign currency translation

Transactions arising in foreign currencies are translated into Vietnam Dong (VND) at exchange rates ruling on the transaction date. Cash and liabilities balances denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date.

Recognition of funds and expenditures

Funds and expenditures are recognized when incurred. Details as follows:

- ADB fund are recognized when ADB directly fund to the first Imprest Account during the year.
- Project management costs are recognised on the accrual basis including actual expenses incurred and payables owed to the supplier.

Fixed assets and amortization

Cost of fixed assets is totally charged for the period in which they are acquired. However, their disclosure in the Balance sheet is simply for the purpose of management and amortization in accordance with Circular No.162/2014/TT-BTC dated 06/11/2014 by the Ministry of Finance issuing Regulation on management and amortization of fixed assets in the State agencies and public administrative units and State-funded organizations.

4. IMPREST ACCOUNT

First Generation Imprest Account and Second Generation Imprest Accounts are deposit accounts opened at Vietnam Bank for Agriculture and Rural development. Payments out of Imprest Accounts are for expenditures in accordance with the relevant covenants of Loan Agreement No. 2721-VIE(SF) dated 05/05/2011 and relevant regulations established by the ADB. Amounts withdrawn from the Imprest Account are used for the payments to contractors and operating expenses.

5. STATEMENT OF RECEIPTS AND DISBURSEMENTS

Statement of receipts and disbursements is prepared based on actual cash flows; Specifically:

Cash inflow is the actual cash flow received from the Asian Development Bank (ADB).

Cash outflow is the actual cash paid out by the Project management unit for the project's cost items of this year and the amount paid for the supplier during current year and from the previous fiscal year transferred.

Closing balance is based on the beginning balance plus cash inflows and minus cash outflow for the year. This balance is reconciled with the balance sheet items as at the end of the financial year as disclosed in Note 12.

Accumulated figures are presented on the accrual basis from the date that the Project commences operations to the financial statements date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. CASH

| | 31/12/2016 VND | 31/12/2015 VND |
|-----------------------------|----------------------|----------------------|
| Cash on hand | 65,600,000 | - |
| - Provincial Project Office | - | - |
| - Dakrong | - | - |
| - Huong Hoa | 65,600,000 | - |
| Imprest Accounts | 5,222,046,390 | 3,397,813,034 |
| - Provincial Project Office | 4,496,075,790 | 3,010,911,121 |
| - Dakrong | 279,941,299 | 198,902,350 |
| - Huong Hoa | 446,029,301 | 187,999,563 |
| Interest Accounts | 19,452,410 | 35,656,212 |
| - Provincial Project Office | 18,762,176 | 32,798,006 |
| - Dakrong | 40,896 | 1,308,613 |
| - Huong Hoa | 649,338 | 1,549,593 |
| Total | 5,307,098,800 | 3,433,469,246 |

7. ADVANCE TO SUPPLIERS

| | 31/12/2016 VND | 31/12/2015 VND |
|---|----------------------|----------------------|
| Advances to supplier | | |
| PPMU | 5,866,790,000 | 2,323,164,000 |
| Quang Hanh Investment and Construction Consultant Joint Stock Company | - | 310,044,000 |
| Thuan Loc Construction Limited Liability Company | - | 639,000,000 |
| Thanh Nien Limited Liability Company | - | 621,570,000 |
| Duc Phat Construction Trading Investment Joint Stock Company | - | 118,000,000 |
| Pho Viet Joint Stock Company | 360,140,000 | 303,000,000 |
| Trang Sinh Joint Stock Company | - | 318,500,000 |
| Quang Tri Agro-Forestry Consultant Limited Liability Company | 1,135,744,000 | - |
| Kim Hoang Limited Company | 2,162,040,000 | - |
| Thai Thi Bang | 1,164,693,000 | - |
| Que Lam Mien Trung Limited Company | 455,500,000 | - |
| Thanh Thanh Hien Green Tree Limited Liability Company | 588,673,000 | - |
| Other | - | 13,050,000 |
| Huong Hoa District | 157,056,834 | 157,056,834 |
| Research Center of Land planning | 157,056,834 | 157,056,834 |
| Total | 6,023,846,834 | 2,480,220,834 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PROJECT IMPLEMENTING EXPENDITURES

| | The year ended 31/12/2016 VND | Accumulated to 31/12/2016 VND |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Civil works | 4,696,095,000 | 6,653,084,000 |
| Transportation and Equipment | | 2,058,180,787 |
| Good and Material | 10,050,450,318 | 23,725,861,073 |
| Improving Livelihoods | 2,082,344,850 | 11,218,838,497 |
| Consulting service | 1,525,655,100 | 2,832,465,000 |
| Capacity Building | 987,404,000 | 3,447,342,435 |
| Operating expenses | 809,724,982 | 2,960,607,781 |
| Total | 20,151,674,250 | 52,896,379,573 |
| Foreign Exchange rate differences | (208,634,804) | (681,501,603) |
| Total | 19,943,039,446 | 52,214,877,970 |

9. ADB FUND

| | The year ended 31/12/2016 | | Accumulated to 31/12/2016 | |
|----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | USD | VND equivalent | USD | VND equivalent |
| Imprest Bank Account | 1,131,949.86 | 25,360,092,000 | 2,893,454.51 | 63,467,762,166 |
| Total | 1,131,949.86 | 25,360,092,000 | 2,893,454.51 | 63,467,762,166 |

10. OTHER FUNDS AND EXPENDITURES

| | The year ended 31/12/2016 VND | Accumulated to 31/12/2016 VND |
|------------------------|-------------------------------------|-------------------------------------|
| Receipts | 203,000 | 78,061,438 |
| Bank Interest | - | 77,858,438 |
| Bank fees refund | 203,000 | 203,000 |
| Disbursements | 17,676,818 | 46,583,093 |
| Bank fees | 17,676,818 | 46,583,093 |
| Opening balance | 48,952,163 | - |
| Closing balance | 31,478,345 | 31,478,345 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. RECONCILIATION BETWEEN THE CLOSING BALANCE ON THE STATEMENT OF RECEIPTS AND DISBURSEMENTS AND THE CLOSING BALANCES OF ASSETS, LIABILITIES ON THE BALANCE SHEET AS AT 31/12/2016

| | 31/12/2016 VND |
|---|-------------------|
| Ending Balance on Statement of receipts and disbursements | 4,625,597,197 |
| Ending Balance on Balance Sheet | 4,625,597,197 |
| Cash on hand | 65,600,000 |
| Cash in bank, state treasury | 5,241,498,800 |
| Foreign Exchange rate differences | (681,501,603) |

12. RECONCILIATION BETWEEN PROJECT IMPLEMENTING EXPENDITURES AND THE CLOSING BALANCES OF ASSETS, LIABILITIES ON THE BALANCE SHEET AS AT 31/12/2016

| | 31/12/2016 VND |
|--|-------------------|
| Project implementing expenditures presented on Balance sheet | 52,896,379,573 |
| Including: | |
| Civil works | 6,653,084,000 |
| Transportation and Equipment | 2,058,180,787 |
| Good and Material | 23,725,861,073 |
| Improving Livelihoods | 11,218,838,497 |
| Consulting service | 2,832,465,000 |
| Capacity Building | 3,447,342,435 |
| Operating expenses | 2,960,607,781 |
| Expenditure presented on Statement of receipts and disbursements = (1) - (2)+(3) | 52,896,379,573 |
| Accumulated expenditure to 31/12/2016 (1) | 58,920,226,407 |
| Closing balance of Receivables relating to expenditure as at 31/12/2016 (2) | 6,023,846,834 |
| Of which | |
| - Advances to supplier | 6,023,846,834 |
| Closing balance of payables relating to expenditure as at 31/12/2016 (3) | - |

13. COMPARATIVE FIGURES


The financial statements for the year ended at 31/12/2015 has been audited by UHY ACA auditing and consulting Co.,Ltd.



Nguyen Truong Khoa
Director

Quang Tri, 15 August 2017


Nguyen Thi Mai Huong
Chief Accountant


Nguyen Thi Bich Thuy
Preparer