

# Audited Project Financial Statements

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Project Number: 40253-023

Loan Number: 2721-VIE

Period covered: 1 January 2017 to 31 December 2017

## 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: 28 September 2018

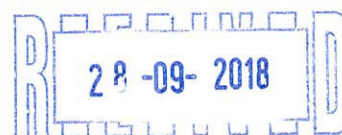
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**QUANG TRI PROVINCIAL PROJECT MANAGEMENT UNIT  
GREATER MEKONG SUBREGION BIODIVERSITY CONSERVATION  
CORRIDORS PROJECT – PHASE II  
Loan Agreement No. 2721-VIE(SF)**

**AUDITED FINANCIAL STATEMENTS**

**For the year ended 31/12/2017**

ASIAN DEVELOPMENT BANK



Disbursement Operations  
Division (VRM)

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**PART I**

**FINANCIAL STATEMENTS**

## 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 - Quang Tri province (“the Project”) for the year ended 31/12/2017.

### 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 Truong Khoa	Director
Mr Vo Van Dung	Deputy Director
Ms Nguyen Thi Huyen Trang	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 31/12/2017 as well as the receipts and disbursements of the Project, actual expenditure for the year ended 31/12/2017, 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 Truong Khoa  
Director

Quang Tri, 15 September 2018



No ~~447~~ /2018/UHY - BCKT**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

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

**Opinion**

We have audited the financial statements of the Greater Mekong subregion biodiversity conservation corridors project – Phase 2 – Quang Tri province ("the Project"), which comprise the Balance sheet as at 31/12/2017, the Statement of funds and expenditures, the Statement of receipts and disbursements, the Statement of actual disbursements compared to budget, the Statement of advance account, the Statement of loan withdrawals for the year ended 31/12/2017 and the 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 balances of assets, liabilities and funds as at 31/12/2017, its financial receipts and disbursements of the Project for the year ended 31/12/2017 in accordance with the basis of the principal accounting policies described in Note 2 and Note 3 to the 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 – Basis of Accounting and Restriction on Use**

We draw attention to Note 2 and Note 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Project to meet the requirements of the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**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.



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**Nguyen Thị Phương Thao**  
Deputy General Director  
Practicing Certificate No.0933-2018-112-1

For and on behalf of  
**UHY Auditing and Consulting Company Limited**  
Hanoi, 15 September 2018

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**Nguyen Thi Thu Ha**  
Auditor  
Practicing Certificate No. 2277-2018-112-1



## BALANCE SHEET

As at 31/12/2017

	Note	31/12/2017 VND	31/12/2016 VND
<b>ASSETS</b>			
<b>I. Current assets</b>		<b>16,783,883,677</b>	<b>11,330,945,634</b>
Cash	6	11,375,863,143	5,307,098,800
Cash on hand		-	65,600,000
Cash in bank, state treasury		11,375,863,143	5,241,498,800
Accounts receivable		5,408,020,534	6,023,846,834
Advances to supplier	7	5,408,020,534	6,023,846,834
<b>II. Non - current assets</b>		<b>86,608,335,909</b>	<b>55,108,777,834</b>
Tangible fixed assets		2,260,726,026	2,755,199,864
Cost		4,115,683,600	4,115,683,600
Accumulated depreciation		(1,854,957,574)	(1,360,483,736)
Intangible fixed assets		107,492,500	138,700,000
Cost		138,700,000	138,700,000
Accumulated amortization		(31,207,500)	-
Project implementing expenditures	8	84,240,117,383	52,214,877,970
Project implementing expenditures	14	84,900,425,567	52,896,379,573
Foreign exchange differences		(660,308,184)	(681,501,603)
<b>TOTAL ASSETS</b>		<b>103,392,219,586</b>	<b>66,439,723,468</b>



## BALANCE SHEET (continued)

As at 31/12/2017

RESOURCES	Note	31/12/2017 VND	31/12/2016 VND
<b>I. Liabilities</b>		<b>3,827,651,665</b>	<b>-</b>
Payables to suppliers	9	3,657,513,965	-
Other payables	10	170,137,700	-
<b>II. Funds</b>		<b>99,564,567,921</b>	<b>66,439,723,468</b>
Project funds		97,196,349,395	63,545,823,604
ADB fund	11	97,118,287,957	63,467,762,166
Other funds	12	78,061,438	78,061,438
Other fund		2,368,218,526	2,893,899,864
Funds for fixed assets acquisition		2,368,218,526	2,893,899,864
<b>TOTAL RESOURCES</b>		<b>103,392,219,586</b>	<b>66,439,723,468</b>

## OFF-BALANCE SHEET ITEMS

Item	31/12/2017	31/12/2016
<b>1. Foreign currencies</b>		
USD	501,686.68	229,838.67



Nguyễn Trương Khoa  
Director

Quang Tri, 15 September 2018

Nguyễn Thị Huyền Trang  
Chief Accountant

Tạ Thị Tham  
Preparer

**STATEMENT OF FUNDS AND EXPENDITURES**

For the year ended 31/12/2017

Unit: VND

Đơn vị tính: VND

No.	Contents	For the year ended 31/12/2017				Accumulated to 31/12/2017			
		ADB	Counterpart	Others (Note 12)	Total	ADB	Counterpart	Others (Note 12)	Total
I.	FUNDS								
1	ADB fund	33,650,525,791	-	-	33,650,525,791	97,118,287,957	-	78,061,438	97,196,349,395
2	Counterpart fund	33,650,525,791	-	-	33,650,525,791	97,118,287,957	-	-	97,118,287,957
3	Other funds	-	-	-	-	-	-	-	-
II.	EXPENDITURES								
1	Civil works	31,988,522,052	-	15,523,942	32,004,045,994	84,838,318,532	-	62,107,035	84,900,425,567
2	Transportation and Equipment	4,102,038,000	-	-	4,102,038,000	12,755,192,000	-	-	12,755,192,000
3	Good and Material	-	-	-	-	2,058,180,787	-	-	2,058,180,787
4	Improving Livelihoods	21,173,501,950	-	-	21,173,501,950	42,401,465,371	-	-	42,401,465,371
5	Consulting service	3,676,778,455	-	-	3,676,778,455	14,908,666,952	-	-	14,908,666,952
6	Capacity Building	1,376,370,500	-	-	1,376,370,500	4,518,879,500	-	-	4,518,879,500
7	Operating expenses	734,720,500	-	-	734,720,500	4,182,062,935	-	-	4,182,062,935
		925,112,647	-	15,523,942	940,636,589	4,013,870,987	-	62,107,035	4,075,978,022
		1,662,003,739	-	(15,523,942)	1,646,479,797	12,279,969,425	-	15,954,403	12,295,923,828
III.	DIFFERENCES BETWEEN INCOMES AND EXPENDITURES								
	OPENING BALANCE	10,617,565,686	-	31,478,345	10,649,044,031	-	-	-	-
IV.	CLOSING BALANCE	12,279,969,425	-	15,954,403	12,295,923,828	12,279,969,425	-	15,954,403	12,295,923,828



Nguyen Truong Khoa  
Director

Nguyen Thi Huyen Trang  
Chief Accountant

Ta Thi Tham  
Preparer

Quang Tri, 15 September 2018



## STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the year ended 31/12/2017

Unit: VND

Đơn vị tính: VND

No.	Contents	For the year ended 31/12/2017				Accumulated to 31/12/2017			
		ADB	Counterpart	Others (Note 12)	Total	ADB	Counterpart	Others (Note 12)	Total
I.	FUNDS								
1	ADB fund	33,650,525,791	-	-	33,650,525,791	97,118,287,957	-	78,061,438	97,196,349,395
2	Counterpart fund	33,650,525,791	-	-	33,650,525,791	97,118,287,957	-	-	97,118,287,957
3	Other funds	-	-	-	-	-	-	-	-
II.	EXPENDITURES								
1	Civil works	31,988,522,052	-	15,523,942	32,004,045,994	84,838,318,532	-	62,107,035	84,900,425,567
2	Transportation and Equipment	4,102,038,000	-	-	4,102,038,000	12,755,192,000	-	-	12,755,192,000
3	Good and Material	-	-	-	-	2,058,180,787	-	-	2,058,180,787
4	Improving Livelihoods	21,173,501,950	-	-	21,173,501,950	42,401,465,371	-	-	42,401,465,371
5	Consulting service	3,676,778,455	-	-	3,676,778,455	14,908,666,952	-	-	14,908,666,952
6	Capacity Building	1,376,370,500	-	-	1,376,370,500	4,518,879,500	-	-	4,518,879,500
7	Operating expenses	734,720,500	-	-	734,720,500	4,182,062,935	-	-	4,182,062,935
		925,112,647	-	15,523,942	940,636,589	4,013,870,987	-	62,107,035	4,075,978,022
	DIFFERENCES BETWEEN INCOMES AND EXPENDITURES	1,662,003,739	-	(15,523,942)	1,646,479,797	12,279,969,425	-	15,954,403	12,295,923,828
III.	OPENING BALANCE	10,617,965,686	-	31,478,345	10,649,444,031	-	-	-	-
IV.	CLOSING BALANCE	12,279,969,425	-	15,954,403	12,295,923,828	12,279,969,425	-	15,954,403	12,295,923,828



Nguyễn Trương Khoa  
Director

Quang Tri, 15 September 2018

Nguyễn Thị Huyền Trang  
Chief Accountant

Ta Thi Tham  
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

31/12/2017

**STATEMENT OF ACTUAL DISBURSEMENTS COMPARED TO BUDGET**

For the year ended 31/12/2017

Unit: VND

No.	Category	ADB			Percentage
		Approved budget (A)	Actual disbursements (B)	Difference (B)-(A)	
1	Civil works	29,914,940,000	4,437,355,000	(25,477,585,000)	-85%
3	Good and Material	40,313,876,318	16,591,082,550	(23,722,793,768)	-59%
4	Improving Livelihoods	7,716,884,768	3,601,268,455	(4,115,616,313)	-53%
5	Consulting service	1,731,275,000	1,376,370,500	(354,904,500)	-20%
6	Capacity Building	1,618,522,000	700,709,500	(917,812,500)	-57%
7	Operating expenses	1,306,689,200	838,258,082	(468,431,118)	-36%
	<b>Total</b>	<b>82,602,187,286</b>	<b>27,545,044,087</b>	<b>(55,057,143,199)</b>	<b>-67%</b>

(A) According to Decision No.214/QĐ-BCC dated 06 September 2017 of Quang Tri People's Committee – BCC Project Management Unit approving operating plan and budget for 2017 of "Greater Mekong subregion biodiversity conservation corridors project – Phase 2" Quang Tri province.

(B) Amount disbursed in the year.



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**Nguyen Truong Khoa**  
 Director

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**Nguyen Thi Huyen Trang**  
 Chief Accountant

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**Ta Thi Tham**  
 Preparer

Quang Tri, 15 September 2018



STATEMENT OF FIRST GENERATION ADVANCE ACCOUNT  
Quang Tri Province

For the year	Ended 31/12/2017
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
<b>PART A: ACCOUNT ACTIVITY</b>	
Opening balance (01/01/2017)	197,889.52
<b>Add:</b>	1,483,262.70
Total Amount first advanced by ADB	1,483,202.70
Total interest earned	60.00
<b>Deduct:</b>	1,250,994.06
Total amount withdrawn	1,250,994.06
Closing balance (31/12/2017)	430,158.16

PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the ADB	999,696.00
2 Deduct: Total amount recovered by the ADB	-
3 Present outstanding amount advanced as at 31/12/2017	999,696.00
4 Closing balance of Imprest Account (31/12/2017)	430,158.16
5 Add: Amounts claimed and not yet credited	569,487.09
6 Add: Amounts withdrawn and not yet claimed	-
7 Deduct: Interest earned (if included in Imprest Account)	-
8 Add: Service charges (if not included in the lines 5 and 6 above)	50.75
9 Total advance accounted for as at 31/12/2017	999,696.00



Nguyễn Trương Khoa  
Director

Quang Tri, 15 September 2018

Nguyễn Thị Huyền Trang  
Chief Accountant

Ta Thi Tham  
Preparer

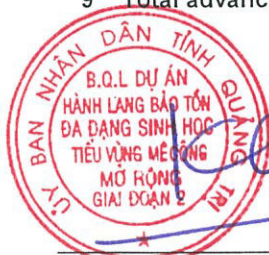
STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT  
Dakrong District

For the year	Ended 31/12/2017
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

	<u>Amount</u>
<b>PART A: ACCOUNT ACTIVITY</b>	
Opening balance (01/01/2017)	12,321.36
<b>Add:</b>	<b>403,787.57</b>
Total amount replenished by the PPMU	403,787.57
<b>Deduct:</b>	<b>406,930.63</b>
Total amount withdrawn	406,930.63
Closing balance (31/12/2017)	<u>9,178.30</u>

PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the PPMU	167,069.50
2 Deduct: Total amount recovered by the PPMU	-
3 Present outstanding amount advanced as at 31/12/2017	<u>167,069.50</u>
4 Closing balance of Imprest Account (31/12/2017)	9,178.30
5 Add: Amounts claimed and not yet credited	-
6 Add: Amounts withdrawn and not yet claimed	157,891.20
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 accounted for as at 31/12/2017	<u>167,069.50</u>



Nguyễn Trương Khoa  
Director

Nguyễn Thị Huyền Trang  
Chief Accountant

Ta Thi Tham  
Preparer

Quang Tri, 15 September 2018

STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT  
Huong Hoa District

For the year	Ended 31/12/2017
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
<b>PART A: ACCOUNT ACTIVITY</b>	
Opening balance (01/01/2017)	19,627.79
<b>Add:</b>	252,095.80
Total amount replenished by the PPMU	252,095.80
<b>Deduct:</b>	209,545.81
Total amount withdrawn	209,545.81
Closing balance (31/12/2017)	62,177.78

PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the PPMU	112,271.16
2 Deduct: Total amount recovered by the PPMU	-
3 Present outstanding amount advanced as at 31/12/2017	112,271.16
4 Closing balance of Imprest Account (31/12/2017)	62,177.78
5 Add: Amounts claimed and not yet credited	-
6 Add: Amounts withdrawn and not yet claimed	50,093.38
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 accounted for as at 31/12/2017	112,271.16



Nguyen Truong Khoa  
Director

Quang Tri, 15 September 2018

Nguyen Thi Huyen Trang  
Chief Accountant

Ta Thi Tham  
Preparer



STATEMENT OF LOAN WITHDRAWALS  
For the year ended 31/12/2017

Withdrawal Application			Amount requested								Amount disbursed		Difference	
No.	Date	Currency	Advance	Civil works	Equipment	Materials	Improving Livelihoods	Consulting service	Capacity Building	Operating expenses	Total	Date	USD	(*)
Direct payment														
Imprest account														
T0013	09/01/2017	USD	-	-	-	394,748.63	62,319.90	31,339.38	6,770.98	11,224.41	506,403.30	13/07/2017	506,393.30	10.00
T0014	09/08/2017	USD	-	53,376.84	-	47,232.23	21,610.20	26,013.46	9,488.13	12,211.98	169,932.84	10/11/2017	169,922.84	10.00
T0015	30/11/2017	USD	250,000.00	-	-	-	-	-	-	-	250,000.00	21/12/2017	249,990.00	10.00
T0016	01/12/2017	USD	-	50,356.00	-	389,947.72	68,348.62	25,643.41	10,793.61	11,817.20	556,906.56	22/12/2017	556,896.56	10.00
Total			250,000.00	103,732.84	-	831,928.58	152,278.72	82,996.25	27,052.72	35,253.59	1,483,242.70	1,483,202.70		40.00

(\*) Difference due to: Bank's fee



Nguyen Truong Khoa  
Director

Quang Tri, 15 September 2018

  
Nguyen Thi Huyen Trang  
Chief Accountant

  
Ta Thi Tham  
Preparer



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

The "Greater Mekong subregion biodiversity conservation corridors – Vietnam, phase 2 project is to 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 overall objectives of the Project are:

- 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. These financial statements are for the year ended 31/12/2017.

**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.

**Payables**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 Advance 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. ADVANCE ACCOUNT

First Generation Advance account and Second Generation Advance accounts are deposit accounts opened at Vietnam Bank for Agriculture and Rural development. Payments out of Advance 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 first generation Advance account include payments for Project's expenditures at PPMU and transfers to the second generation advance account.

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 14.

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

	31/12/2017	31/12/2016
	VND	VND
Cash on hand	-	65,600,000
- <i>Huong Hoa district</i>	-	65,600,000
Imprest Accounts	11,371,835,632	5,221,934,582
- <i>Provincial Project Office</i>	9,753,836,278	4,496,049,894
- <i>Dakrong district</i>	208,118,193	279,941,299
- <i>Huong Hoa district</i>	1,409,881,161	445,943,389
Interest Accounts (USD)	3,915,703	19,452,410
- <i>Provincial Project Office</i>	3,874,807	18,762,176
- <i>Dakrong district</i>	40,896	40,896
- <i>Huong Hoa district</i>	-	649,338
VND Bank Accounts	111,808	111,808
- <i>Provincial Project Office</i>	25,896	25,896
- <i>Huong Hoa district</i>	85,912	85,912
<b>Total</b>	<b>11,375,863,143</b>	<b>5,307,098,800</b>

## 7. ADVANCE TO SUPPLIERS

	31/12/2017	31/12/2016
	VND	VND
PPMU	3,155,650,000	5,866,790,000
Tram Anh Construction Ltd.	542,000,000	-
Tien Phat Cartography Consulting Ltd.	534,000,000	-
Reforestation households	1,624,650,000	-
Others	455,000,000	5,866,790,000
<b>Dakrong district</b>	<b>1,743,413,700</b>	<b>-</b>
Hoang Gia Cooperation and Development Ltd.	960,323,700	-
Reforestation households	783,090,000	-
<b>Huong Hoa district</b>	<b>508,956,834</b>	<b>157,056,834</b>
Research Center for Land planning	157,056,834	157,056,834
Reforestation households	351,900,000	-
	<b>5,408,020,534</b>	<b>6,023,846,834</b>

## 8. PROJECT IMPLEMENTING EXPENDITURES

	The year ended	Accumulated to
	31/12/2017	31/12/2017
	VND	VND
Civil works	4,102,038,000	12,755,192,000
Transportation and Equipment	-	2,058,180,787
Good and Material	21,173,501,950	42,401,465,371
Improving Livelihoods	3,676,778,455	14,908,666,952
Consulting service	1,376,370,500	4,518,879,500
Capacity Building	734,720,500	4,182,062,935
Operating expenses	940,636,589	4,075,978,022
<b>Total</b>	<b>32,004,045,994</b>	<b>84,900,425,567</b>
Foreign exchange rate differences	21,193,419	-
<b>Total</b>	<b>32,025,239,413</b>	<b>84,900,425,567</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PAYABLES TO SUPPLIERS

	31/12/2017 VND	31/12/2016 VND
PPMU	3,457,333,800	-
Reforestation households	970,815,000	-
Kim Hoang Ltd.	1,425,161,000	-
78 Joint Stock Company	602,993,000	-
Others	458,364,800	-
Huong Hoa district	200,180,165	-
Paracel Ltd.	134,010,000	-
Reforestation households	57,245,600	-
Others	8,924,565	-
	<u>3,657,513,965</u>	<u>-</u>

10. PAYABLES TO SUPPLIERS

	31/12/2017 VND	31/12/2016 VND
Other payables relating to expenses	170,137,700	-
Total	<u>170,137,700</u>	<u>-</u>

11. ADB FUND

	The year ended 31/12/2017		Accumulated to 31/12/2017	
	USD	VND equivalent	USD	VND equivalent
Imprest Account	1,483,243	33,650,525,791	4,376,697.21	97,118,287,957
Total	<u>1,483,242.70</u>	<u>33,650,525,791</u>	<u>4,376,697.21</u>	<u>97,118,287,957</u>

12. OTHER FUNDS AND EXPENDITURES

	The year ended 31/12/2017 VND	Accumulated to 31/12/2017 VND
Receipts	-	78,061,438
Bank Interest	-	77,858,438
Bank fee refund	-	203,000
Disbursements	15,523,942	62,107,035
Bank fees	15,523,942	62,107,035
Opening balance	31,478,345	-
Closing balance	15,954,403	15,954,403



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 13. 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 31/12/2017

	31/12/2017 VND
Ending Balance on Statement of receipts and disbursements	10,715,554,959
Ending Balance on Balance Sheet	10,715,554,959
Cash in bank, state treasury	11,375,863,143
Foreign exchange rate differences	(660,308,184)

## 14. RECONCILIATION BETWEEN PROJECT IMPLEMENTING EXPENDITURES AND THE CLOSING BALANCES OF ASSETS, LIABILITIES ON THE BALANCE SHEET AS AT 31/12/2017

	31/12/2017 VND
Expenditures on the Balance sheet	84,900,425,567
Including:	
Civil works	12,755,192,000
Transportation and Equipment	2,058,180,787
Good and Material	42,401,465,371
Improving Livelihoods	14,908,666,952
Consulting service	4,518,879,500
Capacity Building	4,182,062,935
Operating expenses	4,075,978,022
Reconciliation of disbursements to expenditures = (1) - (2) + (3)	84,900,425,567
Disbursements accumulated to 31/12/2017 (1)	86,480,794,436
Receivables related to expenditures as at 31/12/2017 (2)	5,408,020,534
Advances to suppliers	5,408,020,534
Payables related to expenditures as at 31/12/2017 (3)	3,827,651,665
Payables to suppliers	3,657,513,965
Other payables	170,137,700

## 15. COMPARATIVE FIGURES

The comparative figures are those from the financial statements for the year ended at 31/12/2016 audited by UHY Auditing and Consulting Co.,Ltd.



Nguyễn Trương Khoa  
Director

Quang Tri, 15 September 2018

Nguyễn Thị Huyền Trang  
Chief Accountant

Tạ Thị Tham  
Preparer