

Audited Project Financial Statements

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 Thua Thien Hue Provincial Project Management Unit, Thua Thien Hue Provincial People's Committee

For the Asian Development Bank
Date received by ADB: 28 September 2018

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Agricultural Project Management Board, Ministry of Agriculture and Rural Development.

**THUA THIEN HUE 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



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PART I

FINANCIAL STATEMENTS

STATEMENT OF THE PROJECT MANAGEMENT UNIT

Thua Thien Hue Provincial Project Management Unit - 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 implemented in Thua Thien Hue 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. Le Ba Phuc	Director	
Mr. Nguyen Viet Hung	Deputy Director	
Mr. Tran Phuoc Loi	Chief Accountant	Resigned on 26/4/2018
Mr. Truong Nhat Thanh	Chief Accountant	Assigned on 26/4/2018

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,



Le Ba Phuc
Director

Thua Thien Hue, 30 August 2018

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: **Thua Thien Hue 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 31/12/2017, Statement of Funds and Expenditures, Statement of Receipts and Disbursements, Statement of Actual Disbursements vs. Budget, Statement of Advance Account, Statement of Loan Withdrawals for the year ended 31/12/2017 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 the Thua Thien Hue 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 31/12/2017, its financial receipts and disbursements of the Project for the year then ended in accordance with regulations on preparation and presentation of financial statements set out in Note 2 and Note 3 of the Notes to 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 the 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 2 and Note 3 of the Notes to the financial statements, which describe the regulations on preparation and presentation of financial statements. The financial statements are prepared in order to assist the Project in meeting the requirements of the Asian Development Bank. As a result, the financial statements are not suitable for another purposes.

Responsibility of Thua Thien Hue Provincial Project Management Unit for the Financial Statements

Thua Thien Hue 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 2 and Note 3 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 (CONT'D)

Auditor's Responsibility for 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 the 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.



Nguyễn Thị Phương Thao

Deputy General Director

Auditing Practicing Certificate No.0933-2018-112-1

For and on behalf of

UHY Auditing and Consulting Company Limited

Hanoi, 30 August 2018

Trinh Thi Trang

Auditor

Auditing Practicing Certificate No. 4061-2017-112-1

BALANCE SHEET
As at 31/12/2017

	Notes	31/12/2017 VND	31/12/2016 VND
ASSETS			
I. Current assets		46,413,230,263	1,637,425,999
Cash	6	45,559,599,273	786,036,499
Cash on hand		2,037,828	41,756,828
Cash in bank, state treasury		45,557,561,445	744,279,671
Accounts receivable		853,630,990	851,389,500
Other receivables		3,630,990	1,389,500
Advance to employees		30,000,000	30,000,000
Advances to suppliers	7	820,000,000	820,000,000
II. Fixed assets		1,821,530,349	2,173,781,333
Tangible fixed assets		1,633,380,349	1,911,356,333
Cost		3,717,684,000	3,717,684,000
Accumulated depreciation		(2,084,303,651)	(1,806,327,667)
Intangible fixed assets		188,150,000	262,425,000
Cost		336,700,000	336,700,000
Accumulated amortization		(148,550,000)	(74,275,000)
III. Project implementing expenditures	8	72,887,199,587	39,307,631,351
Project implementing expenditures		73,351,348,500	39,662,577,700
Foreign exchange rate differences		(464,148,913)	(354,946,349)
TOTAL ASSETS		121,121,960,199	43,118,838,683

BALANCE SHEET (CONT'D)

As at 31/12/2017

RESOURCES	Notes	31/12/2017	31/12/2016
		VND	VND
I. Liabilities		6,159,190,500	10,800,000
Payables to suppliers	9	2,180,447,000	10,800,000
Other payables	10	3,978,743,500	-
II. Funds		114,962,769,699	43,108,038,683
Project funds		113,141,239,350	40,934,257,350
ADB fund	11	113,116,917,000	40,909,935,000
Other funds	12	24,322,350	24,322,350
Other fund		1,821,530,349	2,173,781,333
Funds for fixed assets acquisition		1,821,530,349	2,173,781,333
TOTAL RESOURCES		121,121,960,199	43,118,838,683

OFF-BALANCE SHEET ITEMS

Items	31/12/2017	31/12/2016
1. Foreign currencies		
USD	2,009,158.82	36,408.88



Le Ba Phuc
Director

Thua Thien Hue, 30 August 2018

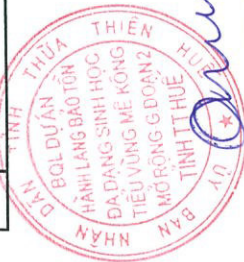
Truong Nhat Thanh
Chief Accountant

Dang Phuoc Nhan
Preparer

STATEMENT OF FUNDS AND EXPENDITURES

For the year ended 31/12/2017

No.	Contents	For the year ended 31/12/2017				Accumulated to 31/12/2017			
		ADB	Counterpart	Others	Total	ADB	Counterpart	Others	Total
I.	FUNDS								
1	ADB fund	72,206,982,000	-	-	72,206,982,000	113,116,917,000	-	24,322,350	113,141,239,350
2	Counterpart fund	72,206,982,000	-	-	72,206,982,000	113,116,917,000	-	-	113,116,917,000
3	Other funds	-	-	-	-	-	-	-	-
II.	EXPENDITURES								
1	Civil works	33,687,599,800	-	1,171,000	33,688,770,800	73,327,458,082	-	23,890,418	73,351,348,500
2	Transportation and Equipment	2,224,592,000	-	-	2,224,592,000	2,224,592,000	-	-	2,224,592,000
3	Goods and Services	23,144,289,800	-	-	23,144,289,800	2,328,370,000	-	-	2,328,370,000
4	Improving Livelihoods	5,147,601,000	-	-	5,147,601,000	39,482,041,910	-	-	39,482,041,910
5	Consulting service	-	-	-	-	17,109,946,000	-	-	17,109,946,000
6	Capacity Building	998,378,000	-	-	998,378,000	1,288,000,000	-	-	1,288,000,000
7	Operating expenses	2,172,739,000	-	1,171,000	2,173,910,000	3,720,975,500	-	-	3,720,975,500
8	Interest expense	-	-	-	-	7,173,532,672	-	23,890,418	7,197,423,090
III.	DIFFERENCE BETWEEN FUNDS AND EXPENDITURES								
	OPENING BALANCE	1,270,076,718	-	1,602,932	1,271,679,650	-	-	-	-
IV.	CLOSING BALANCE	39,789,458,918	-	431,932	39,789,890,850	39,789,458,918	-	431,932	39,789,890,850



Le Ba Phuc
 Director
 Thua Thien Hue, 30 August 2018

Trương Nhật Thanh
 Chief Accountant

Dang Phuoc Nhan
 Preparer

STATEMENTS OF RECEIPTS AND DISBURSEMENTS
For the year ended 31/12/2017

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.	RECEIPTS								
1	ADB fund	72,206,982,000	-	-	72,206,982,000	113,116,917,000	-	24,322,350	113,141,239,350
2	Counterpart fund	72,206,982,000	-	-	72,206,982,000	113,116,917,000	-	-	113,116,917,000
3	Other funds	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	24,322,350	24,322,350
II.	DISBURSEMENTS								
1	Civil works	27,539,209,300	-	1,171,000	27,540,380,300	67,988,267,582	-	23,890,418	68,012,158,000
2	Transportation and Equipment	521,818,000	-	-	521,818,000	1,008,818,000	-	-	1,008,818,000
3	Goods and Services	19,344,322,300	-	-	19,344,322,300	2,328,370,000	-	-	2,328,370,000
4	Improving Livelihoods	4,993,790,000	-	-	4,993,790,000	35,671,274,410	-	-	35,671,274,410
5	Consulting service	-	-	-	-	16,956,135,000	-	-	16,956,135,000
6	Capacity Building	984,213,000	-	-	984,213,000	1,621,000,000	-	-	1,621,000,000
7	Operating expenses	1,695,066,000	-	-	1,695,066,000	3,706,810,500	-	-	3,706,810,500
8	Interest expense	-	-	1,171,000	1,171,000	6,695,859,672	-	23,890,418	6,719,750,090
III.	OPENING BALANCE	460,876,718	-	1,602,932	462,479,650	-	-	-	-
IV.	CLOSING BALANCE	45,128,649,418	-	431,932	45,129,081,350	45,128,649,418	-	431,932	45,129,081,350


Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018


Trương Nhật Thành
Chief Accountant



Đặng Phước Nhân
Preparer

STATEMENT OF ACTUAL DISBURSEMENTS VS. BUDGET
For the year ended 31/12/2017

No.	Content	ADB fund			
		Authorized estimate budget (A)	Actual disbursement (B)	Difference (B)-(A)	Rate
1	Civil works	27,891,000,000	521,818,000	(27,369,182,000)	-98%
3	Goods and services	32,004,720,000	19,344,322,300	(12,660,397,700)	-40%
4	Improving Livelihoods	6,460,803,000	4,993,790,000	(1,467,013,000)	-23%
6	Capacity Building	11,310,361,000	984,213,000	(10,326,148,000)	-91%
7	Operating expenses	2,569,832,000	1,695,066,000	(874,766,000)	-34%
	Total	80,236,716,000	27,539,209,300	(52,697,506,700)	

(A) The estimate budget is authorized under Decision No. 584/QĐ-UBND dated 24/03/2017 of Provincial People's Committees on approval of operation plan of 2017 of Thua Thien Hue Provincial project management unit of the Greater Mekong subregion biodiversity conservation corridors project - Phase 2.




Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018


Trương Nhật Thanh
Chief Accountant


Đặng Phước Nhân
Preparer

STATEMENT OF FIRST GENERATION ADVANCE ACCOUNT
Thua Thien Hue Province

For the year	Ended 31/12/2017
Account Number	400201007056
Depository bank	Vietnam Bank for Agriculture and Rural development - Thua Thien Hue Branch
Address	No. 10 - Hoang Hoa Tham - Hue City
Loan Agreement No.	2721-VIE(SF)
Currency unit	USD

Amount

PART A: ACCOUNT ACTIVITY

Opening balance (01/01/2017)	28,943.46
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Add:	3,187,621.65
Total Amount first advanced by ADB	3,187,621.65
Total interest earned	-

Deduct:	1,487,038.82
Total amount withdrawn	1,487,038.82
Total interest transferred to a separate account	-

Closing balance (31/12/2017)	1,729,526.29
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PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the ADB	2,871,149.31
2 Deduct: Total amount recovered by the ADB	-
3 Present outstanding amount advanced to Advance Account as at 31/12/2017	2,871,149.31
4 Closing balance of Advance Account (31/12/2017)	1,729,526.29
5 Add: Amounts claimed and not yet credited	860,377.92
6 Add: Amounts withdrawn and not yet claimed	281,245.10
9 Total amounts advance to Advance Account accounted for as at 31/12/2017	2,871,149.31



Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018

Truong Nhat Thanh
Chief Accountant

Dang Phuoc Nhan
Preparer

STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT
Nam Dong District

For the year	Ended 31/12/2017
Account Number	4007201001834
Depository bank	Vietnam Bank for Agriculture and Rural development - Nam Dong Branch
Address	Khe Tre Town - Nam Dong District - Thua Thien Hue
Loan Agreement No.	2721-VIE(SF)
Currency unit	USD

Amount

PART A: ACCOUNT ACTIVITY


Opening balance (01/01/2017)	6,285.55
Add:	246,364.22
Total amount replenished by the PPMU	246,364.22
Total interest earned	-
Deduct:	221,039.61
Total amount withdrawn	221,039.61
Total interest transferred to a separate account	-
Closing balance (31/12/2017)	31,610.16

PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the PPMU	181,528.78
2 Deduct: Total amount recovered by the PPMU	-
3 Present outstanding amount advanced to Advance Account as at 31/12/2017	181,528.78
4 Closing balance of Advance Account (31/12/2017)	31,610.16
5 Add: Amounts claimed and not yet credited	149,807.27
6 Add: Amounts withdrawn and not yet claimed	111.35
9 Total amounts advance to Advance Account accounted for as at 31/12/2017	181,528.78


Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018


Trương Nhật Thanh
Chief Accountant


Đặng Phước Nhân
Preparer

STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT
A Luoi District

For the year	Ended 31/12/2017
Account Number	40082010002540
Depository bank	Vietnam Bank for Agriculture and Rural development - A Luoi Branch
Address	Section 4 - A Luoi Town - A Luoi District - Thua Thien Hue
Loan Agreement No.	2721-VIE(SF)
Currency unit	USD

Amount

PART A: ACCOUNT ACTIVITY

Opening balance (01/01/2017)	1,179.87
Add:	1,213,124.62
Total amount replenished by the PPMU	1,213,124.62
Total interest earned	-
Deduct:	966,307.29
Total amount withdrawn	966,307.29
Total interest transferred to a separate account	-
Closing balance (31/12/2017)	<u>247,997.20</u>

PART B: ACCOUNT RECONCILIATION

1 Amount advanced by the PPMU	1,095,194.09
2 Deduct: Total amount recovered by the PPMU	-
3 Present outstanding amount advanced to Advance Account as at 31/12/2017	<u>1,095,194.09</u>
4 Closing balance of Advance Account (31/12/2017)	247,997.20
5 Add: Amounts claimed and not yet credited	847,133.94
6 Add: Amounts withdrawn and not yet claimed	62.95
9 Total amounts advance to Advance Account accounted for as at 31/12/2017	<u>1,095,194.09</u>



Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018

Trương Nhật Thanh
Chief Accountant

Đặng Phước Nhân
Preparer

STATEMENT OF LOAN WITHDRAWALS

For the year ended 31/12/2017

Withdraw Application			Amount requested						Amount received		Difference (*)		
No.	Date	Currency	Advance	Civil works	Goods and Services	Improving Livelihoods	Consulting	Capacity Building	Operating expenses	Total		Date	USD
Direct payment													
Advance account													
H0011	31/07/2016	USD	-	-	168,984.32	81,114.00	-	-	22,550.10	338,313.40	13/01/2017	338,303.40	10.00
H0012	30/11/2016	USD	-	-	49,455.23	42,466.71	-	27,487.16	27,200.40	146,609.50	25/01/2017	146,599.50	10.00
H0013	31/01/2017	USD	-	44,643.97	250,694.29	108,287.50	-	6,785.82	20,385.86	430,797.44	12/12/2017	430,787.44	10.00
H0014	31/07/2017	USD	2,271,941.31	-	-	-	-	-	-	2,271,941.31	12/12/2017	2,271,931.31	10.00
H0015	31/12/2017	USD	-	-	626,370.45	116,744.63	-	42,950.17	74,312.67	860,377.92	-	-	860,377.92
Total			2,271,941.31	44,643.97	1,095,504.29	348,612.84	58,394.82	84,493.31	144,449.03	4,048,039.57	3,187,621.65		860,417.92

Note:

(*) Bank's fee

Application No. H0015 is reimbursed in 2018.

Le Ba Phuc
Director

Thua Thien Hue, 30 August 2018

Truong Nhat Thanh
Chief Accountant

Dang Phuoc Nhan
Preparer

NOTES TO THE FINANCIAL STATEMENTS

(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

1. GENERAL INFORMATION

The Greater Mekong subregion biodiversity conservation corridors project – Vietnam component is the second phase project with a view to enhancing 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 Thua Thien Hue, increasing its ability to provide critical ecosystem services necessary for sustaining local livelihoods and investments in hydropower, transport, water and food-security sectors. The Project will promote sustainable resource use, and restore and enhance productivity of these landscapes. The project implementation period is projected from 5/2011 to 9/2019.

The project was implemented in 10 communes of Nam Dong and A Luoi districts of Thua Thien Hue 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 to livelihoods and sustainable development goals linked with small-scale infrastructure to contribute to reducing poverty and improving 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 under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards, the public-sector administrative accounting policies issued under Decision No. 19/2006/QĐ- BTC dated 30/03/2006 and Circular No. 185/2010/TT-BTC dated 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. The financial statements have been prepared for the year from 1 January 2017 to 31 December 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 based on the actual amounts as incurred and those advanced to suppliers under contract terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Payables

Payables are recognized based on actual expenditures as occurred and works completed and payment made.

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 (quoted by the Bank for Agriculture and Rural Development of Vietnam).

Recognition of funds and expenditures

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

- ADB fund are recognized when credited to the first generation Advance account or payment directly made to suppliers from ADB in the fiscal year.
- Project management cost are recognized on the accrual basis including actual expenses incurred and payables owed to the suppliers.

Fixed assets and depreciation

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 issued by the Minister of Finance on Regulation on management and depreciation 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 - Thua Thien Hue province Branch and district branches. Payments from Advance accounts are made 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 are used for payments to contractors and transferred to the Second Generation Advance Account of districts.

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 flow paid out by the Project management unit for the project's cost items of this year and payables to suppliers during current year and those carried forward.

Closing balance is presented based on the opening balance of cash flow plus cash inflows and minus cash outflows during the year. This balance is reconciled with the balance sheet items as at the end of the financial year as disclosed in Note 13.

Accumulated amounts are presented on the accrual basis from the commencement date of the Project to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

6. CASH

	31/12/2017	31/12/2016
	VND	VND
Cash on hand	2,037,828	41,756,828
- Provincial Project Office	164,000	36,811,000
- Nam Dong	508,328	508,328
- A Luoi	1,365,500	4,437,500
Advance Accounts	45,557,105,514	742,652,740
- Provincial Project Office	39,217,008,626	459,153,740
- Nam Dong	716,760,378	143,012,000
- A Luoi	5,623,336,510	140,487,000
Interest from Advance accounts	455,931	1,626,931
- Provincial Project Office	-	587,000
- Nam Dong	-	-
- A Luoi	455,931	1,039,931
Total	45,559,599,273	786,036,499

7. ADVANCE TO SUPPLIERS

	31/12/2017	31/12/2016
	VND	VND
- Huy Hoang Trading and Construction Company Ltd	487,000,000	487,000,000
- Hanoi Construction Trade and Service Consulting Joint Stock Company	333,000,000	333,000,000
	820,000,000	820,000,000

8. PROJECT IMPLEMENTING EXPENDITURES

	The year ended 31/12/2017	Accumulated to 31/12/2017
	VND	VND
Civil works	2,224,592,000	2,224,592,000
Transportation and Equipment	-	2,328,370,000
Goods and Services	23,144,289,800	39,482,041,910
Improving Livelihoods	5,147,601,000	17,109,946,000
Consulting service	-	1,288,000,000
Capacity Building	998,378,000	3,720,975,500
Operating expenses	2,173,910,000	7,197,423,090
Interest expense	-	-
Total	33,688,770,800	73,351,348,500
Foreign exchange rate differences	(109,202,564)	(464,148,913)
Total	33,579,568,236	72,887,199,587

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

9. PAYABLES TO SUPPLIERS

	31/12/2017 VND	31/12/2016 VND
- Loan Thang Company Limited	1,197,503,000	-
- Huy Hoang Construction & Trading Company Ltd	477,771,000	-
- Others	505,173,000	10,800,000
	2,180,447,000	10,800,000

10. OTHER PAYABLES

	31/12/2017 VND	31/12/2016 VND
Other payables relating to expenses	3,978,743,500	-
Goods and Services (*)	3,810,767,500	-
Improving Livelihoods (*)	153,811,000	-
Capacity Building	14,165,000	-
Operating expenses	-	-
Total	3,978,743,500	-

(*) Include payments for people in localities directly involved in plantation and tending that have been approved in 2017 but made in January 2018.

11. ADB FUND

	For the year ended 31/12/2017		Accumulated to 31/12/2017	
	USD	VND equivalent	USD	VND equivalent
Advance Account	3,187,662	72,206,982,000	5,069,312.49	113,116,917,000
Direct payment	-	-	-	-
Total	3,187,661.65	72,206,982,000	5,069,312.49	113,116,917,000

12. OTHER FUNDS

	The year ended 31/12/2017 VND	Accumulated to 31/12/2017 VND
Receipts	-	24,322,350
Bank Interest	-	24,322,350
Disbursements	1,171,000	23,890,418
Bank fees	1,171,000	23,890,418
Procurement activities expenditure	-	-
Opening balance	1,602,932	-
Closing balance	431,932	431,932

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

13. RECONCILIATION BETWEEN THE CLOSING BALANCE ON THE STATEMENT OF RECEIPTS AND DISBURSEMENTS AND THE CLOSING BALANCE OF ASSETS AND LIABILITIES ON THE BALANCE SHEET AS AT 31/12/2017

	31/12/2017 VND	31/12/2016 VND
Ending Balance on Statement of Receipts and Disbursements	45,129,081,350	462,479,650
Ending Balance on Balance Sheet	45,129,081,350	462,479,650
Cash on hand	2,037,828	41,756,828
Cash in bank, state treasury	45,557,561,445	744,279,671
Advances to staff	30,000,000	30,000,000
Other receivables	3,630,990	1,389,500
Foreign exchange rate differences	(464,148,913)	(354,946,349)

14. RECONCILIATION BETWEEN PROJECT IMPLEMENTING EXPENDITURES AND THE BALANCE OF EXPENDITURES ON THE BALANCE SHEET AS AT 31/12/2017

	31/12/2017 VND	31/12/2016 VND
Project implementing expenditures on Balance sheet	73,351,348,500	39,662,577,700
In which:		
Civil works	2,224,592,000	-
Transportation and Equipment	2,328,370,000	2,328,370,000
Goods and Services	39,482,041,910	16,337,752,110
Improving Livelihoods	17,109,946,000	11,962,345,000
Consulting service	1,288,000,000	1,288,000,000
Capacity Building	3,720,975,500	2,722,597,500
Operating expenses	7,197,423,090	5,023,513,090
Expenditure presented on Statement of receipts and disbursements = (1) - (2)+(3)	73,351,348,500	39,662,577,700
Accumulated disbursements to 31/12/2017 (1)	68,012,158,000	40,471,777,700
Closing balance of Receivables relating to expenditure as at 31/12/2017 (2)	820,000,000	820,000,000
In which:		
- Advances to suppliers	820,000,000	820,000,000
Closing balance of payables relating to expenditure as at 31/12/2017 (3)	6,159,190,500	10,800,000
In which:		
- Payables to suppliers	2,180,447,000	10,800,000
- Other payables	3,978,743,500	-

15. COMPARATIVE FIGURES

The financial statements for the year ended at 31/12/2016 has been audited by UHY Auditing and Consulting Company Limited.


[Signature]

Le Ba Phuc
Director
Thua Thien Hue, 30 August 2018

[Signature]

Trương Nhật Thanh
Chief Accountant

[Signature]

Dang Phuoc Nhan
Preparer