

Audited Project Financial Statements

Project Number: 43319-043
Loan/Grant Number: 2969/0329
Period Covered: 1 January 2017 to 31 December 2017

VIE: Greater Mekong Subregion – Corridor Towns Development Project

Prepared by the Quang Tri Provincial People's Committee

For the Asian Development Bank
Date received by ADB: 30 June 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 State Bank of Viet Nam.

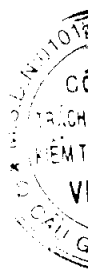
**GREATER MEKONG SUBREGION CORRIDOR TOWNS
DEVELOPMENT PROJECT - QUANG TRI PROVINCE**

AUDITED FINANCIAL STATEMENTS

AND MANAGEMENT LETTER

for the fiscal year ended December 31, 2017

Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF)



**GREATER MEKONG SUBREGION CORRIDOR TOWNS
DEVELOPMENT PROJECT - QUANG TRI PROVINCE**

Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF)

TABLE OF CONTENTS

<u>CONTENTS</u>	PAGE
PART I: FINANCIAL STATEMENTS	
STATEMENTS OF PROJECT MANAGEMENT UNIT	2
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Balance sheet	5
Summary of Sources and Uses of funds	6
Summary of expenditures analyzed by project funds	7
Imprest account Statement	8
Statement of withdrawals - ADB loan fund	9 - 10
Statement of withdrawals - UPFF Grant fund	11
Notes to the Financial Statements	12 - 17
PART II: INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	18
PART III: INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE	19
PART IV: MANAGEMENT LETTER	20 - 31

PART I
FINANCIAL STATEMENTS

STATEMENTS OF PROJECT MANAGEMENT UNIT

We, the Project Management Unit of Greater Mekong Subregion Corridor Towns Development Project - Quang Tri Province, hereby present this report together with the Audited Financial Statements for the fiscal year ended December 31, 2017.

The Project Management Unit

The Project Management Unit of Greater Mekong Subregion Corridor Towns Development Project - Quang Tri Province was established according to the Decision No. 13/QD-SKH dated January 28, 2013 of Quang Tri Department for Planning and Investment.

The members of the Project Management Unit who are in charge of executing the Project during the fiscal year ended December 31, 2017 and to the date of establishing this statement include:

- Mr. Tran Duc Tam Director
- Mr. Nguyen Canh Hung Deputy Director
- Mr. Le Duc Hoang Coordinator

The Project Management Unit's Responsibility

The Project Management Unit hereby certifies that the Financial Statements of the Greater Mekong Subregion Corridor Towns Development Project, including: Balance sheet, Summary of Sources and Uses of funds, Summary of expenditures analyzed by project components, Imprest account Statement, Statement of withdrawals and Notes to the Financial Statements from page 05 to page 17 as attached hereto for the fiscal year ended December 31, 2017 have been properly drawn up so as to give a true and fair view of the assets, liabilities and resources of the Project as at December 31, 2017 as well as of its incomes and expenditures for the fiscal year ended December 31, 2017, in accordance with the Accounting policies stated in Note No. 3 of the Notes to the Financial Statements and the provisions of the Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF) signed on January 17, 2013. In the preparing those Financial Statements, the Project Management Unit is required to:

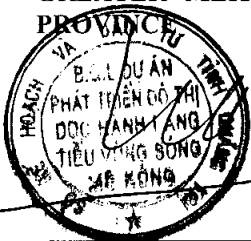
- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the Financial Statements or not; and
- Design and maintain effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds; take responsibility for its assertions as to the effectiveness of such internal control

The Project Management Unit is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the special position of the Project. It is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management Unit confirms that they have complied with the above requirements in preparing the Financial Statements.

For and on behalf of,

**GREATER MEKONG SUBREGION CORRIDOR TOWNS DEVELOPMENT PROJECT - QUANG TRI
PROVINCE**



Tran Duc Tam
Director

Quang Tri, May 26, 2018



INDEPENDENT AUDITORS' REPORT

To: Project Management Unit of Greater Mekong Subregion Corridor Towns Development Project - Quang Tri Province

Opinion

We have audited the financial statements of Greater Mekong Subregion Corridor Towns Development Project - Quang Tri Province ("the Project") for the fiscal year ended December 31, 2017, which comprise: Balance sheet, Summary of Sources and Uses of funds, Summary of Expenditures Analyzed by Project funds, Imprest account Statement, Statement of withdrawals and Notes to the Financial Statements including a summary of significant accounting policies.

In our opinion:

- The Financial Statements give a true and fair view, of the financial position of the Project, including the balance of the Imprest Account as at December 31, 2017, funds received and expenditures incurred, movements of the Imprest Account for the fiscal then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provision of the Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF).
- In addition, with respect to Statements of Expenditures, adequate supporting documents have been fully maintained to support to the replenishment requests submitted to the Asian Development Bank (ADB). The expenditures are eligible and in right purposes of the Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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.

Responsibilities of Management for the Financial Statements

The Project Management Unit is responsible for the preparation of the financial statements in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statement

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

INDEPENDENT AUDITORS' REPORT

(Continued)

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 statement, 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with the Project Management Unit regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Tran Quoc Tuan
General Director
Certificate of Audit practice Registration
No.: 0148-2018-034-1

For and on behalf of
VIETNAM AUDITING AND EVALUATION CO., LTD

Nguyen Thi Hong Van
Auditor
Certificate of Audit practice Registration
No.: 0946-2018-034-1

BALANCE SHEET
 As at December 31, 2017

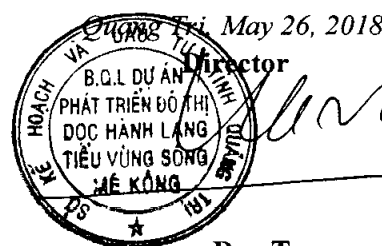
Unit: VND

ASSETS	Notes	December 31, 2017	December 31, 2016
A CURRENT ASSETS		73,992,535,476	140,026,912,086
I Cash and cash equivalent		23,350,107,476	96,105,045,086
1 Cash	4.1	7,000,000	41,355,000
2 Cash in bank, Cash in State Treasury	4.2	23,343,107,476	96,063,690,086
II Short-term receivable		50,641,099,000	43,921,867,000
1 Trade accounts receivable	5	50,641,099,000	43,921,867,000
III Inventories		-	-
V Other current assets		1,329,000	-
1 Other current assets (advance)		1,329,000	-
B NON-CURRENT ASSETS		637,432,619,000	148,352,847,000
I. Fixed assets		227,478,000	238,901,000
1 Tangible fixed assets	7	224,478,000	232,901,000
- Historical cost		653,690,000	532,890,000
- Accumulated depreciation		(429,212,000)	(299,989,000)
2 Intangible fixed assets	8	3,000,000	6,000,000
- Historical cost		15,000,000	15,000,000
- Accumulated depreciation		(12,000,000)	(9,000,000)
II Project implementation expenditures		637,205,141,000	148,113,946,000
1 Project implementation expenditures	9	637,205,141,000	148,113,946,000
TOTAL ASSETS		711,425,154,476	288,379,759,086
RESOURCES			
A LIABILITIES		3,037,015,639	692,282,451
I Short-term liabilities		3,037,015,639	692,282,451
1 Trade accounts payable	6	2,909,090,000	673,680,000
2 Payable to employees		-	1,368,000
3 Other short-term payables	10	127,925,639	17,234,451
B FUNDS		708,388,138,837	287,687,476,635
1 Investment Fund	11	704,804,326,222	285,206,981,302
- ADB Loan Fund		582,306,535,222	213,906,863,302
- UPFF Grant Fund		4,529,673,000	-
- Counterpart Fund		117,968,118,000	71,300,118,000
2 Fund invested in fixed assets		227,478,000	238,901,000
3 Exchange rate differences		3,356,334,616	2,241,594,333
TOTAL RESOURCES		711,425,154,476	288,379,759,086

Chief accountant



Nguyen Viet Ha



Tran Duc Tam

SUMMARY OF SOURCES AND USES OF FUNDS

The year 2017

Unit: VND

	Notes	Accumulated to December 31, 2016	The year 2017	Accumulated to December 31, 2017
INCOME	8			
ADB Loan Fund		213,906,863,302	368,399,671,920	582,306,535,222
UPFF Grant Fund		-	4,529,673,000	4,529,673,000
Counterpart Fund		71,300,118,000	46,668,000,000	117,968,118,000
Total Income		285,206,981,302	419,597,344,920	704,804,326,222
EXPENDITURES				
Works		-	246,561,775,000	246,561,775,000
Goods		-	-	-
Consultants' service, training		52,816,222,000	47,721,345,000	100,537,567,000
Incremental operating costs		16,243,858,000	-	16,243,858,000
Land acquisition and resettlement		63,994,653,000	189,478,075,000	253,472,728,000
Others		15,059,213,000	5,330,000,000	20,389,213,000
Total Expenditures		148,113,946,000	489,091,195,000	637,205,141,000
EXCESS OF INCOME OVER EXPENDITURES				
Opening balance		-	137,093,035,302	-
Ending balance		137,093,035,302	67,599,185,222	67,599,185,222

Chief accountant



Nguyen Viet Ha

Quang Tri, May 26, 2018

Director



Tran Duc Tam

GREATER MEKONG SUBREGION CORRIDOR TOWNS DEVELOPMENT PROJECT - QUANG TRI PROVINCE **FINANCIAL STATEMENTS**
 Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF) for the fiscal year ended December 31, 2017

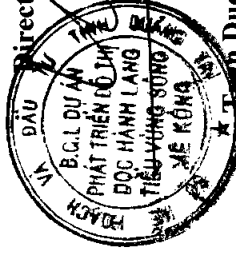
SUMMARY OF EXPENDITURES ANALYZED BY PROJECT FUNDS

The year 2017

	Works	Goods	Consultants' service, training	Incremental operating costs	Land acquisition and resettlement	Others	Total
Accumulated to December 31, 2016							
1. ADB Loan Fund	-	-	52,816,222,000	16,243,858,000	63,994,653,000	15,059,213,000	148,113,946,000
2. UPFF Grant Fund	-	-	26,067,431,000	-	63,779,696,000	-	89,847,127,000
3. Counterpart Fund	-	-	26,748,791,000	16,243,858,000	214,957,000	-	58,266,819,000
The year 2017	246,561,775,000	-	47,721,345,000	-	-	5,330,000,000	489,091,195,000
1. ADB Loan Fund	218,346,901,000	-	42,693,220,000	-	189,414,018,000	-	450,454,139,000
2. UPFF Grant Fund	6,380,184,000	-	-	-	-	-	6,380,184,000
3. Counterpart Fund	21,834,690,000	-	5,028,125,000	-	64,057,000	5,330,000,000	32,256,872,000
Accumulated to December 31, 2017	246,561,775,000	-	100,537,567,000	16,243,858,000	253,472,728,000	20,389,213,000	637,205,141,000
1. ADB Loan Fund	218,346,901,000	-	68,760,651,000	-	253,193,714,000	-	540,301,266,000
2. UPFF Grant Fund	6,380,184,000	-	-	-	-	-	6,380,184,000
3. Counterpart Fund	21,834,690,000	-	31,776,916,000	16,243,858,000	279,014,000	20,389,213,000	90,523,691,000

Quang Tri, May 26, 2018

Director



Chief accountant

(Signature)

Nguyen Viet Ha

IMPREST ACCOUNT STATEMENT

The year 2017

For the period: From January 01, 2017 to December 31, 2017
Account No.: 102020000194737
Bank: Vietnam Joint Stock Commercial Bank for Industry and Trade - Quang Tri Branch
Address: No. 236 Hung Vuong road, Dong Ha City, Quang Tri Province
Loan Agreement No.: 2969 - VIE (SF)
Currency: USD

	Total
Part A - Account transaction	
Opening balance	3,849,147.99
<i>Add:</i>	
- Total amount deposited by the Asian Development Bank for the period (*)	6,030,086.49
- Bank interests	5.50
- Refund bank charges from interest account	-
<i>Deduct:</i>	
- Amount withdrawn for the period	9,873,962.42
- Interest transferred to own account	-
- Bank charges (if not included in the amount drawn)	5.50
Ending balance (December 31, 2017)	5,272.06

Part B - Account Reconciliation

1. Amount advanced by the Asian Development Bank	4,500,000.00
2. <i>Add: Amount deposited by the Asian Development Bank</i>	-
3. <i>Deduct: Total amount recovered by the ADB</i>	-
4. Outstanding amount advanced to Imprest Account as at December 31, 2017	4,500,000.00
5. Ending balance of Imprest Account as at December 31, 2017	5,272.06
6. Add the amounts claimed and not yet credited	164,513.22
7. Add the amounts withdrawn and not yet claimed	4,330,214.72
8. Total advances to Imprest Account as at December 31, 2017	4,500,000.00

* Total amount deposited by ADB for the period which is USD 90.00 different from the Disbursed amount by ADB in Withdrawals application No QT009, QT012, QT015, QT019, QT023, QT030 is overseas bank charges.

Chief accountant



Nguyen Viet Ha

Quang Tri, May 26, 2018

Director



Tran Duc Tam

GREATER MEKONG SUBREGION CORRIDOR TOWNS DEVELOPMENT
 PROJECT - QUANG TRI PROVINCE
 Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF)

FINANCIAL STATEMENTS
 for the fiscal year ended December 31, 2017

STATEMENT OF WITHDRAWALS - ADB LOAN FUND
 The year 2017

Unit: USD

No.	Withdrawal application	Date	Advance	Works	Goods	Consultants' service, training	Incremental operating	Land acquisition and	Others	Total	Disbursed amount		Difference
											Date	Amount	
	Replenishment to Imprest account		-	172,837.92	-	205,162.11	-	6,059,290.56	-	6,437,290.59		6,030,176.49	407,114.10
QT009 (*)	September 13, 2016	-	-	-	-	108,166.03	-	146,469.43	-	254,635.46	February 20, 2017	12,034.58	242,600.88
QT012	January 9, 2017	-	172,837.92	-	-	14,983.45	-	256,233.52	-	444,054.89	June 2, 2017	444,054.89	-
QT015	April 17, 2017	-	-	-	-	82,012.63	-	2,673,464.33	-	2,755,476.96	June 9, 2017	2,755,476.96	-
QT019	June 5, 2017	-	-	-	-	-	-	781,655.91	-	781,655.91	July 19, 2017	781,655.91	-
QT023	July 7, 2017	-	-	-	-	-	-	1,088,775.52	-	1,088,775.52	September 15, 2017	1,088,775.52	-
QT030	July 25, 2017	-	-	-	-	-	-	948,178.63	-	948,178.63	September 5, 2017	948,178.63	-
QT046 (**)	November 30, 2017	-	-	-	-	-	-	164,513.22	-	164,513.22		-	164,513.22
	Direct payment		-	9,325,324.16	-	1,028,224.25	-	-	-	10,353,548.41		10,353,548.41	-
QT013	January 10, 2017	-	-	1,207,828.03	-	-	-	-	-	1,207,828.03	February 22, 2017	1,207,828.03	-
QT016	April 17, 2017	-	-	192,541.00	-	-	-	-	-	192,541.00	May 11, 2017	192,541.00	-
QT017	April 17, 2017	-	-	337,184.54	-	-	-	-	-	337,184.54	May 11, 2017	337,184.54	-
QT020	June 9, 2017	-	-	1,475,771.38	-	-	-	-	-	1,475,771.38	July 14, 2017	1,475,771.38	-
QT021	June 9, 2017	-	-	1,060,891.31	-	-	-	-	-	1,060,891.31	July 14, 2017	1,060,891.31	-
QT025	July 7, 2017	-	-	-	-	21,791.00	-	-	-	21,791.00	July 14, 2017	21,791.00	-
QT026	July 7, 2017	-	-	-	-	106,581.00	-	-	-	106,581.00	August 14, 2017	106,581.00	-
QT027	July 7, 2017	-	-	-	-	47,942.52	-	-	-	47,942.52	August 16, 2017	47,942.52	-
QT028	July 7, 2017	-	-	-	-	202,367.25	-	-	-	202,367.25	August 29, 2017	202,367.25	-
QT029	July 7, 2017	-	-	-	-	276,594.43	-	-	-	276,594.43	September 13, 2017	276,594.43	-
QT031	August 8, 2017	-	-	-	-	34,136.00	-	-	-	34,136.00	August 28, 2017	34,136.00	-
QT032	August 8, 2017	-	-	-	-	77,124.13	-	-	-	77,124.13	November 1, 2017	77,124.13	-
QT033	August 20, 2017	-	-	301,406.50	-	-	-	-	-	301,406.50	August 31, 2017	301,406.50	-
QT035	August 22, 2017	-	-	573,702.82	-	-	-	-	-	573,702.82	August 31, 2017	573,702.82	-
QT036	September 22, 2017	-	-	206,889.45	-	-	-	-	-	206,889.45	September 20, 2017	206,889.45	-
QT037	September 22, 2017	-	-	208,708.64	-	-	-	-	-	208,708.64	September 27, 2017	208,708.64	-

STATEMENT OF WITHDRAWALS - ADB LOAN FUND
The year 2017

Unit: USD

No.	Withdrawal application		Amount claimed										Disbursed amount		Difference
	Date	Advance	Works	Goods	Consultants' service, training	Incremental operating	Land acquisition and	Others	Total	Date	Amount				
QT039	October 3, 2017	-	1,298,606.65	-	-	-	-	-	1,298,606.65	October 26, 2017	1,298,606.65	-			
QT040	October 3, 2017	-	625,486.85	-	-	-	-	-	625,486.85	October 20, 2017	625,486.85	-			
QT041	October 3, 2017	-	-	-	15,433.04	-	-	-	15,433.04	December 7, 2017	15,433.04	-			
QT042	October 3, 2017	-	-	-	40,904.88	-	-	-	40,904.88	December 7, 2017	40,904.88	-			
QT043	October 3, 2017	-	-	-	25,881.80	-	-	-	25,881.80	December 11, 2017	25,881.80	-			
QT044	December 5, 2017	-	800,852.83	-	-	-	-	-	800,852.83	December 22, 2017	800,852.83	-			
QT047	December 5, 2017	-	484,166.02	-	-	-	-	-	484,166.02	December 22, 2017	484,166.02	-			
QT048	December 5, 2017	-	310,829.88	-	-	-	-	-	310,829.88	December 22, 2017	310,829.88	-			
QT049	December 5, 2017	-	240,458.26	-	-	-	-	-	240,458.26	December 22, 2017	240,458.26	-			
QT051	December 5, 2017	-	-	-	50,180.80	-	-	-	50,180.80	December 20, 2017	50,180.80	-			
QT052	December 5, 2017	-	-	-	59,611.45	-	-	-	59,611.45	December 22, 2017	59,611.45	-			
QT053	December 5, 2017	-	-	-	2,525.37	-	-	-	2,525.37	December 21, 2017	2,525.37	-			
QT054	December 5, 2017	-	-	-	43,698.95	-	-	-	43,698.95	December 21, 2017	43,698.95	-			
QT055	December 5, 2017	-	-	-	23,451.63	-	-	-	23,451.63	December 22, 2017	23,451.63	-			
Total			9,498,162.08	-	1,233,386.36	-	6,059,290.56	-	16,790,839.00		16,383,724.90	407,114.10			

(*) This Amount deposited by the Asian Development Bank at February 21, 2017.

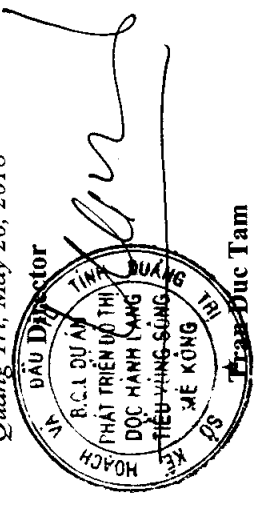
(**) This Amount deposited by the Asian Development Bank at February 06, 2018.

Chief accountant



Nguyen Viet Ha

Quang Tri, May 26, 2018



GREATER MEKONG SUBREGION CORRIDOR TOWNS DEVELOPMENT
PROJECT - QUANG TRI PROVINCE
Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF)

STATEMENT OF WITHDRAWALS - UPPF GRANT FUND
The year 2017

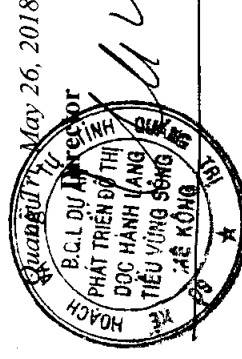
Unit: USD

Withdrawal application No.	Date	Amount claimed							Disbursed amount		Difference	
		Advance	Works	Goods	Consultants' service, training	Incremental operating costs	Land acquisition and resettlement	Others	Total	Date		Amount
Direct payment		-	199,424.75	-	-	-	-	-	199,424.75		199,424.75	-
QT014	April 14, 2017	-	43,988.91	-	-	-	-	-	43,988.91	May 11, 2017	43,988.91	-
QT034	August 20, 2017	-	41,632.04	-	-	-	-	-	41,632.04	September 5, 2017	41,632.04	-
QT038	October 3, 2017	-	113,803.80	-	-	-	-	-	113,803.80	October 31, 2017	113,803.80	-
Total		-	199,424.75	-	-	-	-	-	199,424.75		199,424.75	-

Chief accountant

[Signature]

Nguyen Viet Ha



Tran Duc Tam

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 overview of Project

Greater Mekong Subregion Corridor Towns Development Project (“the Project”) is implemented base on the Loan agreement No.2969-VIE (SF) signed on January 17, 2013 between the Government of the Socialist Republic of Vietnam and Asian Development Bank (“ADB”), the credit amount 84,183,000 SDRs (which is equivalent to 130 million US dollars); and Grant agreement No.0329-VIE (SF) signed on January 17, 2013 between the Quang Tri Provincial People’s Committee, Tay Ninh Provincial People’s Committee and Asian Development Bank (“ADB”), the credit amount 01 million US dollars.

Objectives of Project

The expected impact of the Project is for Dong Ha City, Lao Bao and Moc Bai to become dynamic economic growth centers in the transport corridors in the Greater Mekong Subregion.

Total investment fund of the project: 149.19 million US dollars, consist of:

- ADB funding: 130 million US dollars, in which Quang Tri province 89 million US dollars;
- UPFF funding: 01 million US dollars, in which Quang Tri province 0.5 million US dollars;
- Counterpart funding: 16.19 million US dollars, in which Quang Tri province 10.95 million US dollars.

The Project commenced its operation:

On January 17, 2013 (the signing date of Loan agreement and Grant agreement) and expected to be completed by June 30, 2019.

The Project comprises:

- Subprojects: (i) Dong Ha urban roads; (ii) Dong Ha River embankment; (iii) Dong Ha River port rehabilitation; (iv) Dong Ha materials Recovery Facility; (v) Lao Bao urban roads; (vi) Lao Bao solid waste management; (vii) Moc Bai water supply; (viii) Moc Bai urban roads; (ix) Moc Bai wastewater treatment; and (x) Moc Bai materials Recovery Facility; and
- Project implementation support and capacity development.

2. Accounting convention and accounting period

Accounting convention

The Financial Statements expressed in Vietnam Dong (VND), except for the Imprest Account Statement and the Statement of Loan withdrawals with are expressed in US Dollar (USD). The Project applies the Guidelines on Accounting Standard applied for the Investor issued under the Circular No.195/2012/TT- BTC dated November 15, 2012 of Ministry of Finance, requirements of the Asian Development Bank. The accounting policies set out in Note 3 of the Notes to the financial statements.

Accounting period

The accounting period of the Project begins from January 01 and ends at December 31.

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:

Foreign currency

Transactions denominated in foreign currency are translated into Vietnam Dong (VND) at exchange rate ruling by Vietnam Joint Stock Commercial Bank for Industry and Trade - Quang Tri Branch at the transaction date. The balances of monetary items denominated in foreign currency as at the balance sheet date are retranslated at the buying exchange rate announced by the Vietnam Joint Stock Commercial Bank for Industry and Trade - Quang Tri Branch prevailing on the Balance sheet date. Exchange differences were entered into account of exchange rate differences and were presented in the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Recognition of income and expenditures

Project income:

- Funds received from The Asian Development Bank are recognized when remittance made into Imprest Account.

- Counterpart funds of Vietnamese Government are recognized when funds are remitted to the Project Management Unit to pay the Project's activities.

Expenditures are recognized when incurred.

Imprest Account and Interest of Imprest Account

Imprest Account is a bank account in USD opened at Vietnam Joint Stock Commercial Bank for Industry and Trade - Quang Tri Branch for the implementation of the Project activities. Payments out of Imprest Account are for eligible expenditures in accordance with the relevant provisions of the Loan agreement No.2969-VIE (SF), Grant agreement No.0329-VIE (SF) and relevant regulations established by the Asian Development Bank.

Interests of Imprest Account are considered as incomes of the State budget and presented as other payables in Balance sheet and used to cover bank charges. In case interest of Imprest Account are not arise, bank charges are presented as other receivables in Balance sheet. At the end of the Project, outstanding interests will be returned to the Vietnamese Government. In case bank charges are not fully covered by the interests, the Project Management Unit will plan to settle by counterpart funds.

Fixed assets and depreciation/amortisation

Fixed assets are recognised at cost less accumulated depreciation/amortisation. Fixed assets are depreciated or amortized using the straight-line method at the appropriate rate in accordance with Circular No. 162/2014/TT-BTC dated November 06, 2014 by the Ministry of Finance.

The value of fixed assets is wholly recorded in the Subproject implementing expenditures upon asset purchase. Depreciation/amortisation is charged to funds for fixed assets acquisition.

4. Cash

	December 31, 2017	December 31, 2016
	VND	VND
4.1. Cash on hand	7,000,000	41,355,000
4.2. Cash in Bank, Treasury	23,343,107,476	96,063,690,086
<i>State Treasury of Quang Tri Province</i>	6,879,437,000	1,347,436,000
<i>Vietnam Joint Stock Commercial Bank for Industry and Trade - Quang Tri Branch</i>	16,462,499,799	93,745,624,409
USD - Imprest account	121,374,346	87,418,091,038
<i>Imprest account</i>	118,299,754	87,414,150,853
<i>Interest on Imprest Account</i>	3,074,592	3,940,185
VND	16,341,125,453	6,327,533,371
<i>Joint Stock Commercial Bank for Foreign Trade of Vietnam - Quang Tri Branch</i>	1,170,677	970,629,677
VND	1,170,677	970,629,677
Total	23,350,107,476	96,105,045,086

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

5. Trade accounts receivable

	December 31, 2017	December 31, 2016
	VND	VND
Bach Dang Construction Corporation	823,250,000	30,060,810,000
Fichtner Water and Transportation GmnH	-	9,171,675,000
Kunhwa Engineering & Consulting, Ltd	-	2,364,518,000
Dong Ha City's Land Development Center	-	629,558,000
Quang Tri Province's Land Development Center	200,000,000	260,230,000
HQT Consulting and Construction JSC	-	125,000,000
An Nguyen Construction Consulting JSC	-	409,139,000
BDH ICB LB	599,367,000	-
Quang Tri Electricity Company	8,458,000,000	-
Hung Cuong Investment and Construction JSC	4,808,536,000	-
Thanh An JSC	10,465,534,000	-
Quang Tri Clean Water JSC	1,956,420,000	-
Nippon Koei Vietnam International Co.,Ltd	3,501,539,000	-
Lao Bao Water Supply enterprise	830,575,000	-
Khe Sanh Water Supply enterprise	367,138,000	-
No.79 Quang Tri Construction Co.,Ltd	365,851,000	-
Quang Tri Telecommunication	2,348,912,000	-
Quang Tri Center of plant and animal breed	385,070,000	-
Dong Hoi City Industrial Complex and Public Service Development and Management Center	491,341,000	-
Minh Dzung Construction JSC	7,135,237,000	-
Truong Xuan Construction JSC	7,201,183,000	-
Others	703,146,000	900,937,000
Total	50,641,099,000	43,921,867,000

6. Payables

	December 31, 2017	December 31, 2016
	VND	VND
Thanh Nien Co.,Ltd	1,850,511,000	-
Kunhwa Engineering & Consulting, Ltd	618,406,000	-
Construction and Investment Consultancy Branch in Quang Tri - Construction and Investment Consultancy JSC	29,554,000	29,554,000
Da Thanh Electric and Mechanical JSC	167,785,000	167,785,000
Huong Hoa District's Land Development Center	-	426,419,000
An Nguyen Construction Consultant JSC	242,834,000	-
Quang Tri Petroleum Company - Petroleum Store No. 3	-	7,622,000
Green Path One Member Co., Ltd	-	42,300,000
Total	2,909,090,000	673,680,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

7. Tangible fixed assets

	<i>Unit: VND</i>	
Items	Machinery, equipment	Total
Historical cost		
- Balance as at January 01, 2017	532,890,000	532,890,000
- Purchase in the year	120,800,000	120,800,000
- Other increases	-	-
- Other decreases	-	-
- Balance as at December 31, 2017	653,690,000	653,690,000
Accumulated Depreciation		
- Balance as at January 01, 2017	299,989,000	299,989,000
- Depreciation in the year	129,223,000	129,223,000
- Other increases	-	-
- Other decreases	-	-
- Balance as at December 31, 2017	429,212,000	429,212,000
Net-book value		
As at January 01, 2017	232,901,000	232,901,000
As at December 31, 2017	224,478,000	224,478,000

8. Intangible fixed assets

	<i>Unit: VND</i>	
Items	Accounting Software	Total
Historical cost		
- Balance as at January 01, 2017	15,000,000	15,000,000
- Purchase in the year	-	-
- Other increases	-	-
- Other decreases	-	-
- Balance as at December 31, 2017	15,000,000	15,000,000
Accumulated Depreciation		
- Balance as at January 01, 2017	9,000,000	9,000,000
- Depreciation in the year	3,000,000	3,000,000
- Other increases	-	-
- Other decreases	-	-
- Balance as at December 31, 2017	12,000,000	12,000,000
Net-book value		
As at January 01, 2017	6,000,000	6,000,000
As at December 31, 2017	3,000,000	3,000,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

9. Project implementation expenditures

Unit: VND

	The year 2017			Total
	ADB Loan Fund	UPFF Grant Fund	Counterpart Fund	
Works	218,346,901,000	6,380,184,000	21,834,690,000	246,561,775,000
Goods	-	-	-	-
Consultants' service, training	42,693,220,000	-	5,028,125,000	47,721,345,000
Incremental operating costs	-	-	-	-
Land acquisition and resettlement	189,414,018,000	-	64,057,000	189,478,075,000
Others	-	-	5,330,000,000	5,330,000,000
Total	450,454,139,000	6,380,184,000	32,256,872,000	489,091,195,000

Unit: VND

	Accumulated to December 31, 2017			Total
	ADB Loan Fund	UPFF Grant Fund	Counterpart Fund	
Works	218,346,901,000	6,380,184,000	21,834,690,000	246,561,775,000
Goods	-	-	-	-
Consultants' service, training	68,760,651,000	-	31,776,916,000	100,537,567,000
Incremental operating costs	-	-	16,243,858,000	16,243,858,000
Land acquisition and	253,193,714,000	-	279,014,000	253,472,728,000
Others	-	-	20,389,213,000	20,389,213,000
Total	540,301,266,000	6,380,184,000	90,523,691,000	637,205,141,000

10. Other payables

	December 31, 2017	December 31, 2016
	VND	VND
Interest of deposit account (covered bank charges)	74,630,639	10,972,451
Nguyen Thi My Nhung	-	3,880,000
Payroll deductions	-	852,000
Operating and training costs, others payables	53,295,000	1,530,000
Total	127,925,639	17,234,451

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

11. Funds

	December 31, 2017		December 31, 2016	
	Original	VND equivalent	Original	VND equivalent
ADB Loan Fund (USD)	26,011,133.34	582,306,535,222	9,627,408.44	213,906,863,302
UPFF Grant Fund (USD)	199,424.75	4,529,673,000	-	-
Counterpart Fund (VND)	117,968,118,000	117,968,118,000	71,300,118,000	71,300,118,000
Total		704,804,326,222		285,206,981,302

12. Statement of Budget versus Actual expenditures

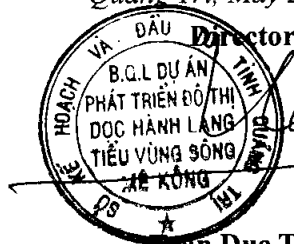
	Unit: VND		
	Budgeted in the year 2017	Actual expenditures in the year 2017	Difference
	(1)	(2)	(1) - (2)
ADB Loan Fund	547,650,000,000	440,423,195,000	107,226,805,000
Counterpart Fund	48,668,000,000	48,668,000,000	-
Total	596,318,000,000	489,091,195,000	107,226,805,000

Chief accountant



Nguyen Viet Ha

Quang Tri, May 26, 2018



Trần Đức Tâm