

Audited Project Financial Statements

Project Number: 46293-004

Loan Number: 3194

Period covered: 30 March 2015 to 31 December 2015

CAM: Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

Prepared by the Ministry of Tourism

For the Asian Development Bank

Date received by ADB: 19 July 2016

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 Government of Cambodia.

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF TOURISM**

**Greater Mekong Sub region Tourism Infrastructure
for Inclusive Growth Project**
ADB Loan No. 3194 – CAM (SF)

**Financial Statements
for the period from 30 March 2015
to 31 December 2015
and
Report of the Independent Auditors**

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

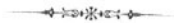
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MINISTRY OF TOURISM
Project Coordination Unit (PCU)

KINGDOM OF CAMBODIA
NATION RELIGION KING



Asian Development Bank
GSM TIIG No. 3194-CAM (SF)

Nº

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Statement by the management

We do hereby state that in our opinion:

- a) The accompanying financial statements, which comprise the statement of financial position as at 31 December 2015, the statement of receipts and expenditure and the statement of imprest account for the period from 30 March 2015 to 31 December 2015 and notes, as set out on pages 4 to 15 of the Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ("the Project"), funded by the Asian Development Bank Loan No. 3194-CAM (SF) and implemented by the Ministry of Tourism are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.
- b) The disbursements shown in the financial statements were implemented according to the Loan Agreement and the Project was in compliance with loan covenants of the Agreement for the period from 30 March 2015 to 31 December 2015.

On behalf of the Project's management: 

Mr. Sok Sokun
*National Project Manager
Ministry of Tourism*


Mr. Meam Sotan
National Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

Date: 15 JUL 2016



KPMG Cambodia Ltd
4th floor, Delano Center
No. 144, Street 169
Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia

Telephone +855 (23) 216 899
Fax +855 (23) 217 279
Internet www.kpmg.com.kh

Report of the independent auditors To the Ministry of Economy and Finance Royal Government of Cambodia

We have audited the accompanying financial statements of the Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ("the Project"), funded by the Asian Development Bank Loan No. 3194-CAM (SF) and implemented by the Ministry of Tourism, which comprise the statement of financial position as at 31 December 2015, the statement of receipts and expenditure and the statement of imprest account for the period from 30 March 2015 to 31 December 2015 and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 15. The financial statements have been prepared by the management of the Project based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Audit opinion

In our opinion, the financial statements of the Project for the period from 30 March 2015 to 31 December 2015 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the Project. The financial statements are prepared for the information and use of the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank and should not be distributed to or used by any other parties.

For KPMG Cambodia Ltd


Nge Huy
Partner



Phnom Penh, Kingdom of Cambodia

15 July 2016

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Statement of financial position

As at 31 December 2015

| | Note | As at 31 December 2015 US\$ |
|---|------|-----------------------------------|
| Current assets | | |
| Cash and bank balances | 3 | 465,091 |
| Advance to staff | 4 | 4,400 |
| Amount due from Project Implementation Unit | | 21 |
| | | <hr/> |
| | | 469,512 |
| | | <hr/> |
| Represented by: | | |
| Fund balance at end of the period | | 469,512 |
| | | <hr/> |

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

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3194 – CAM (SF)

Statement of receipts and expenditure for the period from 30 March 2015 to 31 December 2015

| | Note | For the period from 30 March 2015 to 31 December 2015 US\$ |
|---|----------|---|
| Receipts | 5 | |
| Asian Development Bank | | 859,600 |
| Government Counterpart Fund | | 103,000 |
| | | <hr/> |
| | | 962,600 |
| | | <hr/> |
| Expenditure by disbursement category | 6 | |
| Equipment and vehicles | 7 | 221,324 |
| Consulting services | 8 | 85,049 |
| Capacity building and training | 9 | 55,034 |
| Recurrent costs | 10 | 131,681 |
| | | <hr/> |
| | | 493,088 |
| | | <hr/> |
| Excess of receipts over expenditure/ Fund balance at the end of the period | | 469,512 |
| | | <hr/> |

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

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Statement of the first generation imprest account for the period from 30 March 2015 to 31 December 2015

| | Note | For the period from 30 March 2015 to 31 December 2015 US\$ |
|---|----------|---|
| Receipts | 5 | |
| Asian Development Bank | | 700,000 |
| | | <hr/> |
| Expenditure by disbursement category | 6 | |
| Equipment and vehicles | 7 | 61,724 |
| Consulting services | 8 | 85,049 |
| Capacity building and training | 9 | 55,034 |
| Recurrent costs | 10 | 35,786 |
| | | <hr/> |
| | | 237,593 |
| | | <hr/> |
| Excess of receipts over expenditure/ Fund balance at the end of the period | | 462,407 |
| | | <hr/> |
| Represented by: | | |
| Cash and bank balances | 3 | 457,986 |
| Advances to staff | 4 | 4,400 |
| Amount due from Project Implementation Unit | | 21 |
| | | <hr/> |
| | | 462,407 |
| | | <hr/> |

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

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements

for the period from 30 March 2015 to 31 December 2015

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

The loan Agreement No. 3194 – CAM (SF) for Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”) between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance) was signed on 18 December 2014. The agreement includes ADB Loan No. 3194 – CAM (SF), where the ADB agreed to offer loan amounting to Special Drawing Rights 12,170,000 equivalent to US\$18 million at the time of loan negotiation and RGC will contribute US\$0.77 million (about 4.1% of total costs of the Project) to cover government staff salaries and in-kind expenditure. The Project is estimated to be cost at US\$18.77 million.

The effective date of the Project is 30 March 2015 and the Project is expected to be completed by 31 December 2019.

The Ministry of Tourism (“MOT”) is the Executing Agency (“EA”) or Project Coordination Unit (“PCU”) for the Project responsible for the overall management of the Project, with the following Implementing Agencies (“IAs”) or Project Implementation Units (“PIU”), namely Kampot, Kep, and Koh Kong.

The objective of the Project is to increase tourism receipts and tourism employment for men and women in the Participating Provinces. The Project shall comprise the following Outputs:

- (a) Improved last-mile tourism access infrastructure.
- (b) Improved environmental services in cross-border tourism centres.
- (c) Strengthened institutional capacity to promote inclusive tourism growth.
- (d) Effective project implementation and knowledge management.

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)

for the period from 30 March 2015 to 31 December 2015

1. Background and activities (continued)

ADB Loan No. 3194 – CAM (SF) is repayable in semi-annual instalments payable based on the principal amount of the loan on each 1 February and 1 August commencing on 30 March 2015 and ending on 1 August 2046. An interest rate of 1% per annum during the period prior to the payment of the first principal amount of the loan, and 1.5% per annum, thereafter, on the amount of loan withdrawn from the ADB and outstanding balance from time to time. The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3194 – CAM (SF) and the allocation of amounts of the Loan to each such category:

| Category | | | ADB Financing |
|----------|--------------------------------|---|---|
| No. | Item | Total Amount Allocated for ADB Financing (SDR) Category | Percentage and Basis for Withdrawal from the Loan Account |
| 1 | Civil Works | 6,944,000 | 100% of total expenditure claimed |
| 2 | Equipment | 713,000 | 100% of total expenditure claimed |
| 3 | Consulting Services | 1,091,000 | 100% of total expenditure claimed |
| 4 | Capacity Building and Training | 1,100,000 | 100% of total expenditure claimed |
| 5 | Recurrent Costs* | 465,000 | 100% of total expenditure claimed |
| 6 | Interest Charge | 266,000 | 100% of amounts due |
| 7 | Unallocated | 1,591,000 | |
| | Total | 12,170,000 | |

* Exclusive of salary supplements for staff.

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Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)

for the period from 30 March 2015 to 31 December 2015

2. Significant accounting policies

(a) Basis of accounting

The financial statements, which are expressed in United States Dollars (“US\$”), have been prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for the advance to staff and amount due from Project Implementation Unit are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices.

(b) Statement of receipts and expenditure/Statement of imprest account

The statement of receipts and expenditure/Statement of imprest account is prepared in accordance with the Loan Agreement and is purely used to receive and disburse for expenditure financed by the ADB loan proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and expenditure upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(d) Foreign currency transactions

The Project transacts its business and maintains its accounting records primarily in United States Dollars (“US\$”). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Cash and bank balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year-end date. All foreign exchange differences are recognised in the statement of receipts and expenditure.

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Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)

for the period from 30 March 2015 to 31 December 2015

3. Cash and bank balances

| | As at 31 December 2015 | | |
|---|--------------------------|---|---------------|
| | Loan No. 3194 US\$ | Royal Government of Cambodia US\$ | Total US\$ |
| Cash on hand | 2,155 | - | 2,155 |
| Cash at banks: | | | |
| Imprest account – ADB - Project Coordination Unit | 447,589 | - | 447,589 |
| Imprest account – Government Counterpart Fund | - | 7,105 | 7,105 |
| Project Implementation Unit * | 8,242 | - | 8,242 |
| | 455,831 | 7,105 | 462,936 |
| | 457,986 | 7,105 | 465,091 |

* This represents cash at banks of Project Implementation Unit (“PIU”) as follows:

| | US\$ |
|--------------------------------------|-------|
| Kampot Project Implementation Unit | 4,117 |
| Kep Project Implementation Unit | 4,000 |
| Koh Kong Project Implementation Unit | 125 |
| | 8,242 |

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Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued) for the period from 30 March 2015 to 31 December 2015

4. Advances to staff

These represent advances to staff. The balance as at 31 December 2015 is as follows:

| | As at 31 December 2015 Loan No. 3194 US\$ |
|------------------------------|--|
| Advance to Mr. Meam Sotan* | 2,500 |
| Advance to Mr. Chhay Sarath* | 1,900 |
| | <hr/> |
| | 4,400 |
| | <hr/> |

*This represents the salary advances to consultants for the period from January to October 2016. The 10% of advance balance will be recognised as expenditure on the monthly basis.

5. Receipts

| | For the period from 30 March 2015 to 31 December 2015 | | |
|---------------------------------|--|---|---------------|
| | Loan No. 3194 US\$ | Royal Government of Cambodia US\$ | Total US\$ |
| Initial advance * | 700,000 | - | 700,000 |
| Direct payment ** | 159,600 | - | 159,600 |
| Government Counterpart Fund *** | - | 103,000 | 103,000 |
| | <hr/> | <hr/> | <hr/> |
| | 859,600 | 103,000 | 962,600 |
| | <hr/> | <hr/> | <hr/> |

* The receipts from Asian Development Bank Loan No. 3194 – CAM (SF) were paid into the first generation imprest account co-held by the Ministry of Economy and Finance (“MEF”) and Ministry of Tourism at the National Bank of Cambodia. This is a separate bank account held exclusively for ADB Loan No. 3194. The receipts were then disbursed to Project Implementation Units (“PIU”) bank accounts at Kampot, Kep and Koh Kong.

** Direct payments represent payments made by ADB directly to the suppliers on behalf of the Project.

*** The contribution from Royal Government of Cambodia was paid into Government Counterpart Fund’s account held by the Ministry of Economy and Finance at the National Bank of Cambodia.

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)
for the period from 30 March 2015 to 31 December 2015

6. Expenditure by disbursement category and financier

| Particulars | ADB Loan No. 3194 | | RGC | | Total |
|---|-------------------|--------------------|--------------------|-----|---------|
| | % of financing | Actual expenditure | Actual expenditure | | |
| | % | US\$ | US\$ | % | US\$ |
| Equipment and vehicles | 100 | 221,324 | - | - | 221,324 |
| Consulting services | 100 | 85,049 | - | - | 85,049 |
| Capacity Building and Training | 100 | 55,034 | - | - | 55,034 |
| Recurrent Costs | | | | | |
| ADB contribution | 100 | 35,786 | - | - | 35,786 |
| Government contribution | - | - | 95,895 | 100 | 95,895 |
| Total payments – for the period from 30 March 2015 to 31 December 2015 | 100 | 397,193 | 95,895 | 19 | 493,088 |
| % of total project costs – for the period from 18 December 2014 to 31 December 2015 | | 2.12% | 0.51% | | 2.63% |

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)

for the period from 30 March 2015 to 31 December 2015

7. Equipment and vehicles

| | For the period from 30 March 2015 to 31 December 2015 | | | | |
|------------------|---|-----------------------|-------------------------|--------------------|----------------|
| | MOT PCU US\$ | Kampot PIU US\$ | Koh Kong PIU US\$ | Kep PIU US\$ | Total US\$ |
| Vehicles | 85,300 | 37,150 | 37,150 | - | 159,600 |
| Office equipment | 27,760 | 10,752 | 10,583 | 10,751 | 59,846 |
| Others | 1,878 | - | - | - | 1,878 |
| | <u>114,938</u> | <u>47,902</u> | <u>47,733</u> | <u>10,751</u> | <u>221,324</u> |

8. Consulting services

| | For the period from 30 March 2015 to 31 December 2015 Loan No. 3194 US\$ |
|---|--|
| International tourism specialist and deputy team leader | 42,336 |
| National financial management specialist | 18,218 |
| National tourism destination management and training specialist | 14,494 |
| National procurement specialist | 10,001 |
| | <u>85,049</u> |

9. Capacity building and training

| | For the period from 30 March 2015 to 31 December 2015 Loan No. 3194 US\$ |
|---|--|
| Capacity building of destination management organization staff | 23,598 |
| Development of promotional materials | 15,215 |
| Tourism hospitality training | 8,090 |
| Biannual project review and planning meetings | 3,429 |
| Prepare and update draft destination management plans | 3,220 |
| Sustainable finance mechanism and operations and maintenance training | 1,475 |
| Financial management and procurement training | 7 |
| | <u>55,034</u> |

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued)

for the period from 30 March 2015 to 31 December 2015

10. Recurrent costs

ADB contribution

| | For the period from 30 March 2015 to 31 December 2015 | | |
|----------------------------|--|---------------|---------------|
| | PCU US\$ | PIU US\$ | Total US\$ |
| Office running costs | 5,312 | 9,573 | 14,885 |
| Fuel and travelling costs | 9,696 | 1,899 | 11,595 |
| Staff Outsourcing | 2,800 | 5,200 | 8,000 |
| Internet and communication | 1,226 | 80 | 1,306 |
| | <u>19,034</u> | <u>16,752</u> | <u>35,786</u> |

Government contribution

| | | | |
|-------------------------|---------------|---------------|----------------|
| Government staff * | 13,590 | 19,305 | 32,895 |
| In kind expenditure on: | | | |
| Office rental | 20,700 | 27,000 | 47,700 |
| Utilities | 4,500 | 10,800 | 15,300 |
| | <u>38,790</u> | <u>57,105</u> | <u>95,895</u> |
| | <u>57,824</u> | <u>73,857</u> | <u>131,681</u> |

* The government staff are staff who were appointed by the Ministry of Tourism with approval from the Ministry of Economy and Finance to work for the Project, which was fully funded by the Government Counterpart Fund.

Ministry of Tourism

Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3194 – CAM (SF)

Notes to the financial statements (continued) for the period from 30 March 2015 to 31 December 2015

11. Statement of disbursement

Details of statement of disbursement from ADB fund are as follows:

| | Note | For the period from 30 March 2015 to 31 December 2015 US\$ |
|--|------|---|
| ADB Fund claims during the period | | |
| Initial advance | | 700,000 |
| Direct payments | | 159,600 |
| Subtotal | (A) | 859,600 |
| Total expenditure made during the period | (B) | 493,088 |
| <i>Expenditure made out of Government Counterpart fund</i> | (C) | (95,895) |
| <i>Advance made during the period but not claim as expenditure</i> | (D) | 4,400 |
| <i>Expenditure incurred but not yet claim</i> | (E) | 21 |
| <i>Remaining initial advanced during the period</i> | (F) | 457,986 |
| Total eligible expenditure claimed (A=G=B+C+D+E+F) | (G) | 859,600 |

12. Commitments

As at 31 December 2015, the Project has the following commitments:

| | 31 December 2015 US\$ |
|------------------------------|--------------------------|
| Contracted but not yet paid: | |
| Consulting services | 426,047 |

13. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since the commencement of the Project.