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Audit of ADB Projects



Project Procurement-Related Review (PPRR)

To verify
compliance

Review

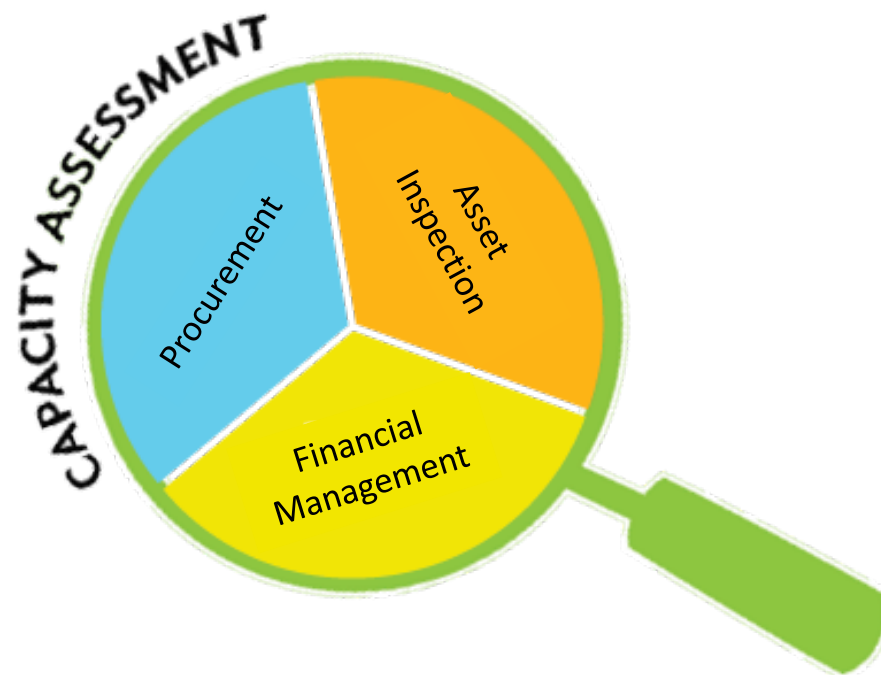
Ongoing
ADB-finance
projects

Focused on preventing and
detecting integrity violations

Assesses internal controls in place,
Identifies irregularities and instances of
noncompliance, Inspects project outputs,
Recommends enhancements

Not an evaluation to assess development
effectiveness of ADB's ADB-funded projects,
Does not review project outcomes or
development impact

Areas Covered by PPRRs

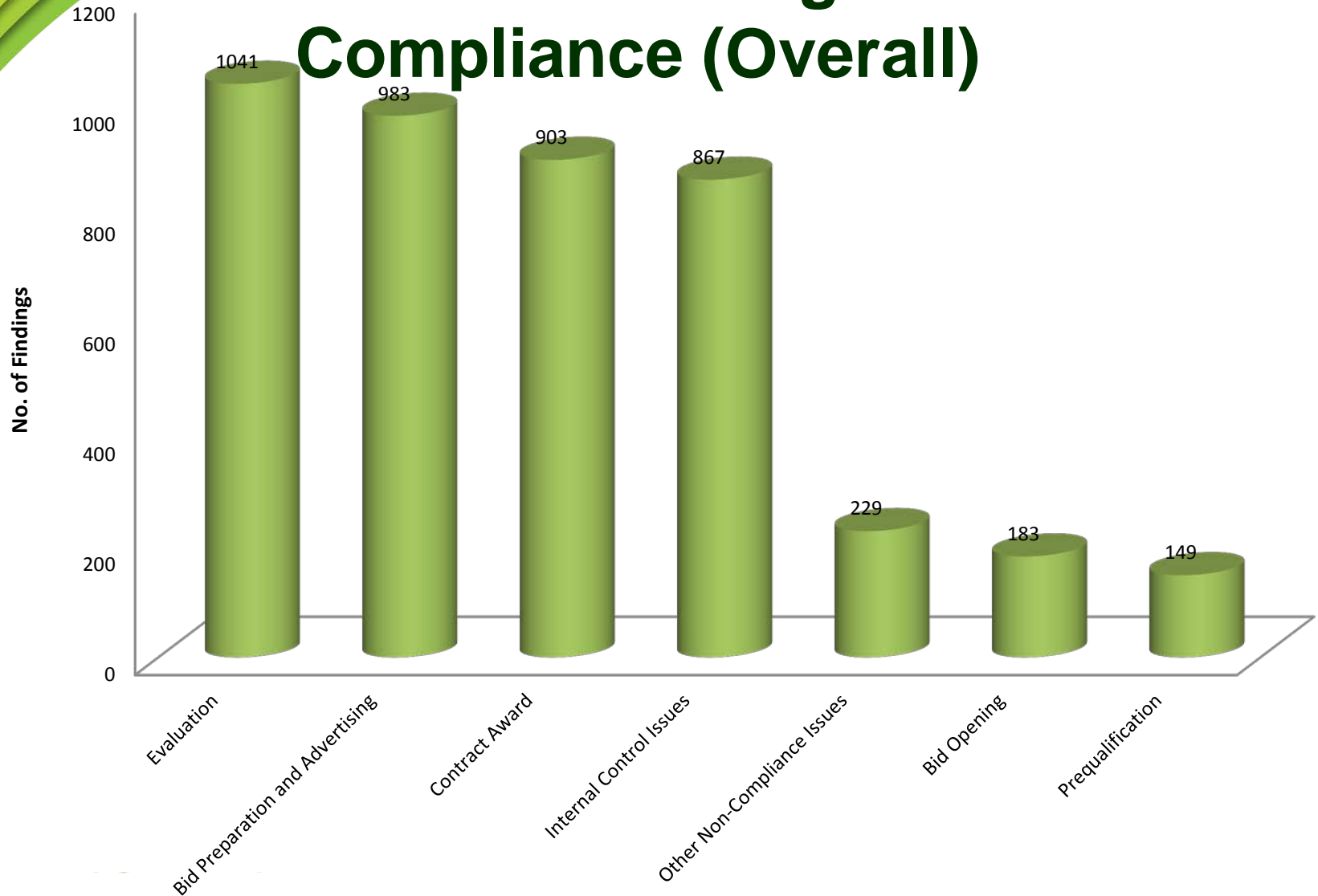


Procurement Irregularities in ADB Projects



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Common Procurement Irregularities & Non-Compliance (Overall)



Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

25. COMMITMENTS AND CONTINGENT LIABILITIES:

(1) The Company has provided 7 blank checks, 20 blank notes and 9 notes amounting to ₩116,804 million as collaterals to and other third parties, and Korea Housing Guarantee Co., Ltd. in connection with its outstanding

(4) As of December 31, 2008, the Company is the defendant in 47 lawsuits involving claims of ₩42,300 million. The outcome of the lawsuits cannot presently be determined.

(3) The Company maintains escrow accounts of ₩114,035 million under its name based on the operation agreements with customers in certain construction contracts. The Company did not record these escrow accounts in its books but maintains as memo accounts reflecting economic substance in which the ownership belongs to these customers.

(4) As of December 31, 2008, the Company is the defendant in 47 lawsuits involving claims of ₩42,300 million. The outcome of the lawsuits cannot presently be determined.

26. FINANCIAL DERIVATIVE INSTRUMENTS:

(1) Forward contract

The Company has entered into forward contracts with financial institutions to hedge against the risk of fluctuation of foreign currency risk. The forward contracts as of December 31, 2008 are as follows (Won in thousands):

Description	Contract amounts	Exchange rate	Fair value
Forward Sell	US\$ 5,433,044,000	2008.12.31 122	2008.12.31 100

Notes to Financial Statements

24. COMMITMENTS AND CONTINGENT LIABILITIES:

(1) The Company has provided 7 blank checks, 14 blank notes and 9 notes amounting to ₩101,813 million as collaterals to third parties, and 1 check amounting to ₩2,500 million to Korea Housing Guarantee Co., Ltd. in connection with its outstanding borrowings and other contracts as of December 31, 2007.

(2) The Company has provided the completion guarantees for Samsung Corporation amounting to ₩1,593,039

(4) As of December 31, 2007, the Company is the plaintiff in 33 lawsuits involving claims of ₩44,700 million and is the defendant in 29 lawsuits involving claims of ₩36,400 million. The outcome of the lawsuits cannot presently be determined.

books but maintains as memo accounts reflecting economic substance in which the ownership belongs to these customers.

(4) As of December 31, 2007, the Company is the plaintiff in 33 lawsuits involving claims of ₩44,700 million and is the defendant in 29 lawsuits involving claims of ₩36,400 million. The outcome of the lawsuits cannot presently be determined.

25. FINANCIAL DERIVATIVE INSTRUMENTS:

The Company has entered into forward contracts with financial institutions to hedge against the risk of fluctuation of foreign currency risk. The forward contracts as of December 31, 2007 are as follows:

Description	Contract amounts	Description	Contract amounts
Forward Sell	US \$ 58,299,000	Forward Buy	US \$ 10,798,000
	JPY -		JPY 3,236,070,413
	EUR 19,890,000		EUR -

Forward contracts are stated at fair value and the gain on translation of ₩1,211,879 thousand and loss on translation of ₩2,605,581 thousand is reflected in current operations.

26. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for calculation of value added in 2007 and 2006 are as follows (Won in thousands):

Submitted Financial Statements

Company 1

Financial Situation

Each Applicant or member of a JV must fill in this form

Financial Data for Previous 3 Years [US\$ Equivalent]		
2008	2007	2006

Information from Balance Sheet

Total Assets	770,121	764,713	650,438
Total Liabilities	4,243	4,802	6,460
Net Worth	765,879	759,911	643,978
Current Assets	727,733	696,104	611,861
Current Liabilities	4,243	4,802	6,460
Total Debt	-	-	-
Receivables	-	-	-
Inventories in Hand	228,384	82,627	66,061

Information from income statement

Total Revenues / Sales	1,631,882	2,065,802	2,599,331
Profit Before Taxes	145,261	180,821	244,311
Profit After Taxes	94,420	117,533	145,432
Interest Charges Paid	942	1,393	2,029

Company 2

Financial Situation

Each Applicant or member of a JV must fill in this form

Financial Data for Previous 3 Years [US\$ Equivalent]		
2008	2007	2006

Information from Balance Sheet

Total Assets	770,121	764,713	650,438
Total Liabilities	4,243	4,802	6,460
Net Worth	765,879	759,911	643,978
Current Assets	727,733	696,104	611,861
Current Liabilities	4,243	4,802	6,460
Total Debt	-	-	-
Receivables	-	-	-
Inventories in Hand	228,384	82,627	66,061

Information from income statement

Total Revenues / Sales	1,631,882	2,065,802	2,599,331
Profit Before Taxes	145,261	180,821	244,311
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Financial Situation Financial Situation Financial Situation Financial Situation Financial Situation

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Company 1

Company 2

Company

Company 4

JV FS

Financial Data for P	Financial Data for P	Financial Data for P	Financial Data for Previ	Financial Data for Previous 3 Years [US\$ E
2008	2008	2008	2008	2008

Information from Balance Information from Balance Information from Balance Information from Balance Sheet Information from Balance Sheet

Total Assets	770,121	770,121	2,294,603	49,184,427	59,103,751	81,438,416
Total Liabilities	4,243	4,243	1,019,599	40,099,730	45,051,372	66,503,374
Net Worth	765,879	765,879	1,275,004	9,084,697	14,052,380	14,935,043
Current Assets	727,733	727,733	1,862,797	41,299,671	47,960,801	54,255,648
Current Liabilities	4,243	4,243	1,017,827	26,944,515	30,260,385	50,935,671
Total Debt	-	-	282,991	14,355,156	16,284,147	1,014,798
Receivables	-	-	1,158,642	3,661,130	8,860,372	14,154,164
Inventories in Hand	228,384	228,384	525,384	23,327,626	24,081,394	32,848,563

Information from income Information from income Information from income Information from income statement Information from income statement

Total Revenues / Sales	1,631,882	1,631,882	3,830,913	243,061,643	249,766,938	130,760,277
Profit Before Taxes	145,261	145,261	141,220	4,774,428	5,407,009	2,826,011
Profit After Taxes	94,420	94,420	100,395	3,007,890	3,541,305	1,879,861
Interest Charges Paid	942	942	41,602	1,634,281	1,698,925	1,060,756

Not equal

Submitted Financial Forms

- For Financial Capacity:
Re-compute, verify, and **document** the following for all bidders:
 - Turnover
 - Net Worth
 - Working Capital

Incorrect Net Worth calculated in FIN 1

Total liabilities also include the amount of Equity capital

Form FIN - 1: Financial Situation

Each Applicant or member of a JV must fill in this form

Financial Data for Previous 3 Years [Nu]						
Year 1: (2009) (Nu.)	Year 1: (2009) (US \$ equivalent)	Year 2: (2008)	Year 1: (2008)(US\$ equivalent)	Year 3: (2007)	(2007) (US\$ equivalent)	
Total Assets	123,557,271.23	2,745,717.14	129,091,241.79	2,868,694.26	160,174,599.64	3,559,435.55
Total Liabilities	123,557,271.23	2,745,717.14	129,091,241.79	2,868,694.26	160,174,599.64	3,559,435.55
Net Worth	8,048,686.75	178,859.71	8,048,686.75	178,859.71	8,048,686.75	178,859.71
Current Assets	77781242.19	1,728,472.05	110,818,373.04	2,462,630.51	135,019,609.14	3,000,435.76
Current Liabilities	86066710.80	1,912,593.57	91,659,874.04	2,036,886.09	112,183,077.04	2,492,857.27

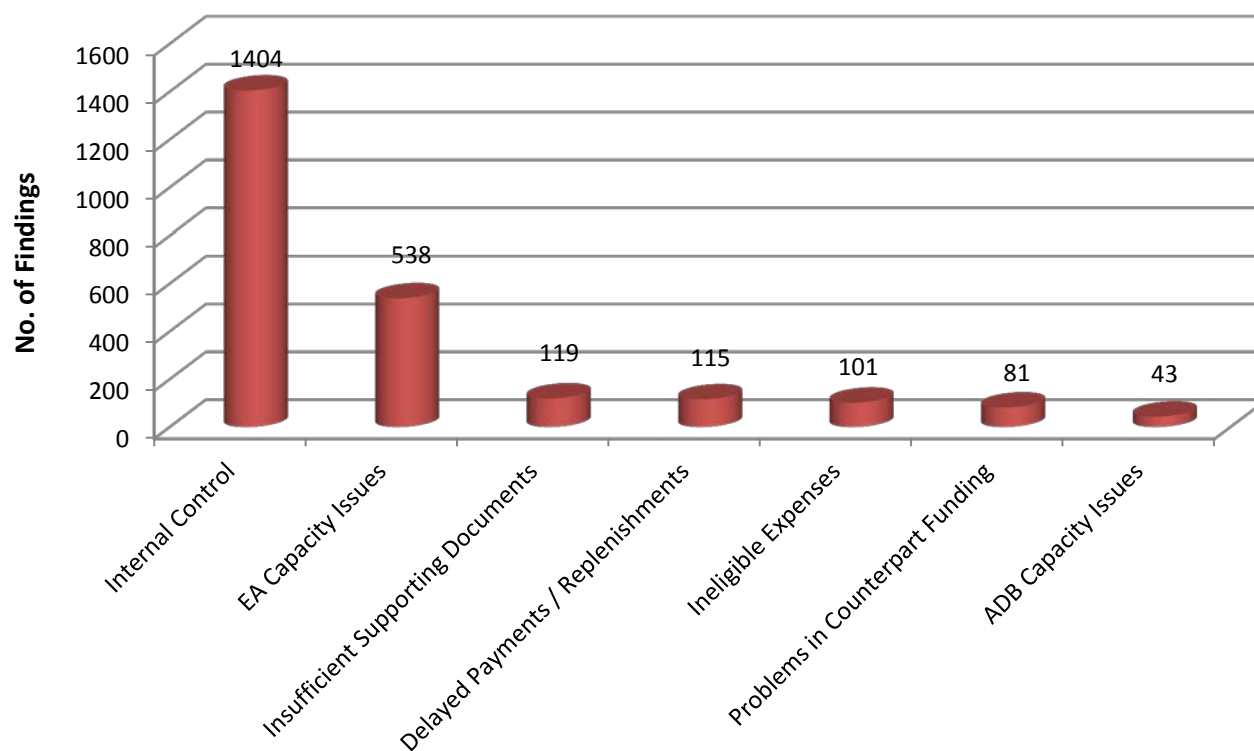
Total Assets =
Total liabilities
as per the FIN-
1 Form

Financial Management & Disbursements Irregularities



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Common Financial Management Findings (Overall)



Common Asset Inspection Issues (Overall)

