

# Audited Project Financial Statements

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Project Number: 41456-033

Loan/Grant Number: 2961

Period covered: 1 January 2018 – 31 December 2018

## VIE: Water Sector Investment Program – Tranche 2

Prepared by Quang Nam Water Supply and Drainage JSC

For the Asian Development Bank

Date received by ADB: 1 July 2019

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 Access to Information Policy and as agreed between ADB and Quang Nam PPC.

**WATER SUPPLY SYSTEM FOR TAM HIEP  
AND DIEN NAM – DIEN NGOC URBAN PROJECT**

**AUDITED PROJECT FINANCIAL STATEMENTS**  
Loan Number 2961 – VIE; Loan Number 3251 – VIE  
For the year ended 31 December 2018

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## **REPORT OF THE PROJECT MANAGEMENT UNIT**

The Management Unit of Investment and Construction Projects of Quang Nam Water Supply and Drainage JSC ("the Project Management Unit") presents this report and the Project Financial statements of the Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") for the year ended 31 December 2018.

### **The Project**

The Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project is a sub-project of the Viet Nam Water Sector Investment Program, which is invested by Quang Nam Water Supply and Drainage JSC ("Quang Nam WS"). In addition to the counterpart funds, the Project is also financed by the Asian Development Bank ("ADB") under Loan Number 2961 – VIE signed on 23 May, 2013 and the Loan Number 3251 – VIE signed on 19 November, 2015 ("the Agreements").

### **The Project Management Unit**

Members of the Project Management Unit in the year and to the reporting date are:

Mr. Ngo Duc Trung	Director
Mr. Hoang Kim Tam	Deputy Director
Mr. Nguyen Huu Y	Chief Accountant

### **Auditors**

The auditors of AASC Limited have taken the audit of Financial statements of the Project.

### **Responsibilities of the Project Management Unit**

The Project Management Unit is responsible for preparing the project Financial statements, including Statement of Financial Position, Statement of Receipts and Disbursements, Statement of Budget versus Actual Disbursements, Statement of Advance Account and Statement of Withdrawals and Reconciliation of Funds, which comply with the accounting policies described in the attached Notes to the Project Financial statements. The Project Management Unit assures that the accounting policies are appropriately selected and consistently applied.

The Project Management Unit assures that the accounting records were fully maintained to prepare the Project Financial statements in accordance with the applied accounting policies and to disclose, with reasonable accuracy at any time, the financial position of the Project.

The Project Management Unit is responsible for maintaining an effective internal control as management determines necessary to enable the preparation of Financial statements that are free from material misstatement, whether due to fraud or error, and comply with relevant laws, regulations and other provisions of the agreement, including over the procurement progress, that could have a direct and material financial effect on the Project Financial statements ("the Requirements").

In addition, the Project Management Unit is responsible for complying with the Requirements applicable to the Project, in which:

- ▶ The funds have been used in accordance with the conditions of the Loan Number 2961 – VIE signed on 23 May, 2013 and the Loan Number 3251 – VIE signed on 19 November, 2015;
- ▶ The Advance Account procedures have been operated in accordance with the Asian Development Bank's Loan Disbursement Handbook;
- ▶ Adequate supporting documents, with respect to Statement of Expenditures, have been fully maintained to support to the replenishment requests submitted to the Asian Development Bank. The expenditures are eligible and in right purposes of the Loan Number 2961 – VIE dated 23 May 2013 and the Loan Number 3251 – VIE signed on 19 November, 2015.

On behalf of the Project Management Unit ✓



**Ngo Duc Trung**  
Director

Quang Nam, 31 May 2019



No.: 310519.007/ BCTC.FIS2

## INDEPENDENT AUDITORS' REPORT ON THE PROJECT FINANCIAL STATEMENTS

To: **The Management Unit of Investment and Construction Project  
Quang Nam Water Supply and Drainage JSC**

### *Opinion*

We have audited the accompanying Project Financial statements of the Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") which comprise:

- ▶ Statement of Financial Position as at 31 December 2018, Statement of Receipts and Disbursements, Statement of Budget versus Actual Disbursements, Statement of Advance Account, Statement of Withdrawals and Reconciliation of Funds and Notes to the Project Financial statements for the year ended 31 December 2018, including a summary of significant accounting policies of the Loan Number 2961 – VIE;
- ▶ Statement of Financial Position as at 31 December 2018, Statement of Receipts and Disbursements, Statement of Budget versus Actual Disbursements, Statement of Advance Account, Statement of Withdrawals and Reconciliation of Funds and Notes to the Project Financial statements for the year ended 31 December 2018, including a summary of significant accounting policies of the Loan Number 3251 – VIE.

In our opinion, the accompanying Project Financial statements give a true and fair view of the financial position of the Project, including the balance of the Advance Accounts as at 31 December 2018, funds received and expenditures incurred, movements of the Advance Account for the year ended 31 December 2018 in accordance with the basis of the principal accounting policies described in the Notes to the Project Financial statements and the provisions of the Loan Number 2961 – VIE signed on 23 May, 2013 and the provisions of the Loan Number 3251 – VIE signed on 19 November, 2015.

### *Basis of Opinion*

We conducted our audit in accordance with the International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Project 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 Project Financial statements*

The Project Management Unit is responsible for the preparation of the Project Financial statements in accordance with the principal accounting policies described in Notes to the Project 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 Project 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 management either intends to cease operations, or has no realistic alternative but to do so.



## *Auditor's Responsibilities for the Audit of the Project Financial statements*

Our objectives are to obtain reasonable assurance about whether the Project 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 Project Financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project 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 management.
- 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 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 Project Financial statements, including the disclosures, and whether the Project Financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Project Management Unit, among other matters, 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.



**Do Mạnh Cường**  
Deputy General Director  
CPA Registered No.:  
0744-2018-002-1

**Nguyen Pham Hung**  
Auditor in-charge  
CPA Registered No.:  
2893-2015-002-1

*Hanoi, 31 May 2019*

**STATEMENT OF FINANCIAL POSITION**

Loan Number 2961 – VIE  
 As at 31 December 2018

	Note	31/12/2018 VND	31/12/2017 VND
<b>NON-CURRENT ASSETS</b>		<b>96,620,455</b>	<b>85,758,298</b>
Project Implementation Expenditures	05	96,620,455	85,758,298
<b>TOTAL ASSETS</b>		<b>96,620,455</b>	<b>85,758,298</b>
<b>FUNDS</b>		<b>96,620,455</b>	<b>85,758,298</b>
Project Implementation Funds from ADB	07	96,620,455	85,758,298
<b>TOTAL RESOURCES</b>		<b>96,620,455</b>	<b>85,758,298</b>



**STATEMENT OF FINANCIAL POSITION**

Loan Number 3251 – VIE  
 As at 31 December 2018

	Note	31/12/2018 VND	31/12/2017 VND
<b>CURRENT ASSETS</b>		<b>39,842,723,297</b>	<b>19,209,859,733</b>
Cash on hand		36,602,000	35,837,000
Cash at bank	03	869,122,053	18,280,103
Deductible Value added tax		33,539,376,208	11,730,570,554
Advances to staff		2,512,852,000	1,028,830,000
Advances to contractors	04	2,884,771,036	6,396,342,076
<b>NON-CURRENT ASSETS</b>		<b>351,785,168,105</b>	<b>128,793,206,744</b>
Project Implementation Expenditures	05	351,785,168,105	128,793,206,744
<b>TOTAL ASSETS</b>		<b>391,627,891,402</b>	<b>148,003,066,477</b>
<b>CURRENT LIABILITIES</b>		<b>48,060,855,654</b>	<b>55,679,798,713</b>
Payables to contractors	06	48,008,065,235	55,576,857,396
Tax payables to State (Foreign Contractor Tax)		52,790,419	102,941,317
<b>FUNDS</b>		<b>343,567,035,748</b>	<b>92,323,267,764</b>
Project Implementation Funds		343,515,730,176	92,323,296,264
- The Asian Development Bank	07	306,232,825,576	65,339,602,323
- Quang Nam Province State budget		6,282,227,873	6,282,227,873
- Quang Nam Water Supply and Drainage JSC		31,000,676,727	20,701,466,068
Foreign exchange differences		51,305,572	(28,500)
<b>TOTAL RESOURCES</b>		<b>391,627,891,402</b>	<b>148,003,066,477</b>

Water supply system for  
Tam Hiep and Dien Nam – Dien Ngoc Urban Project  
Loan Number 2961 – VIE  
Loan Number 3251 – VIE

Financial Statements  
Year ended 31 December 2018

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Loan Number 2961 – VIE  
For the year ended 31 December 2018

Note	Accumulated to 31/12/2017 VND	Year ended 31/12/2018 VND	Accumulated to 31/12/2018 VND
<b>RECEIPTS</b>			
Received from the Asian Development Bank	85,758,298	10,862,157	96,620,455
	<b>85,758,298</b>	<b>10,862,157</b>	<b>96,620,455</b>
<b>DISBURSEMENTS</b>			
Interest charges and commitment fees	85,758,298	10,862,157	96,620,455
	<b>85,758,298</b>	<b>10,862,157</b>	<b>96,620,455</b>
<b>RECONCILIATION AS AT CLOSING</b>			
	-	-	-

**Water supply system for  
Tam Hiep and Dien Nam – Dien Ngoc Urban Project**  
Loan Number 2961 – VIE  
Loan Number 3251 – VIE

**Financial Statements**  
Year ended 31 December 2018

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Loan Number 3251 – VIE  
For the year ended 31 December 2018

	Note	Accumulated to 31/12/2017 VND	Year ended 31/12/2018 VND	Accumulated to 31/12/2018 VND
<b>RECEIPTS</b>				
Received from the Asian Development Bank		65,339,602,323	240,893,223,253	306,232,825,576
Received from Quang Nam Province State budget		6,282,227,873	-	6,282,227,873
Received from Quang Nam Water Supply and Drainage JSC		20,701,466,068	10,299,210,659	31,000,676,727
		<u>92,323,296,264</u>	<u>251,192,433,912</u>	<u>343,515,730,176</u>
<b>DISBURSEMENTS</b>				
Civil Works		72,815,701,072	234,620,269,420	307,435,970,492
Resettlement and Land Acquisition		9,691,411,242	1,567,963,472	11,259,374,714
Consulting Services		6,061,454,050	10,587,666,850	16,649,120,900
Interest charges and commitment fees		1,616,850,469	1,589,990,558	3,206,841,027
Project management and other disbursements		2,083,733,828	2,026,270,734	4,110,004,562
	08	<u>92,269,150,661</u>	<u>250,392,161,034</u>	<u>342,661,311,695</u>
<b>FOREIGN EXCHANGE DIFFERENCES DUE TO REVALUATION OF</b>		(28,500)	-	51,305,572
<b>RECONCILIATION AS AT CLOSING</b>		<u>54,117,103</u>	<u>800,272,878</u>	<u>905,724,053</u>
<i>Presented by:</i>				
Cash on hand		35,837,000		36,602,000
Cash at bank	03	18,280,103		869,122,053
		<u>54,117,103</u>		<u>905,724,053</u>



# Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project

Loan Number 2961 – VIE

Loan Number 3251 – VIE

Financial Statements

Year ended 31 December 2018

## STATEMENT OF BUDGET VERSUS ACTUAL DISBURSEMENTS

Loan Number 3251 – VIE

For the year ended 31 December 2018

Categories	Budget Disbursements			Actual Disbursements			Variance		
	Loan Number 3251-VIE	Counterpart Fund	Total	Loan Number 3251-VIE	Counterpart Fund	Total	Loan Number 3251-VIE	Counterpart Fund	Total Rate
	VND	VND	VND	VND	VND	VND	VND	VND	VND
Civil Works	234,500,000,000	23,450,000,000	257,950,000,000	228,345,606,865	6,274,662,555	234,620,269,420	(6,154,393,135)	(17,175,337,445)	(23,329,730,580) 91%
Resettlement and Land Acquisition	-	1,000,000,000	1,000,000,000	-	1,567,963,472	1,567,963,472	-	567,963,472	567,963,472 157%
Consulting Services	12,000,000,000	1,200,000,000	13,200,000,000	10,200,450,780	387,216,070	10,587,666,850	(1,799,549,220)	(842,783,830)	(2,612,333,150) 80%
Interest charges and commitment fees	3,850,000,000	-	3,850,000,000	1,589,990,558	-	1,589,990,558	(2,260,009,442)	-	(2,260,009,442) 41%
Project management	-	2,000,000,000	2,000,000,000	-	2,026,270,734	2,026,270,734	-	26,270,734	26,270,734 101%
	<u>250,350,000,000</u>	<u>27,650,000,000</u>	<u>278,000,000,000</u>	<u>240,136,048,203</u>	<u>10,256,112,831</u>	<u>250,392,161,034</u>	<u>(10,213,951,797)</u>	<u>(17,393,887,169)</u>	<u>(27,607,838,966) 90%</u>

The budget disbursement in 2018 was prepared basic on Decision 10/QĐ-TGD dated 31 January 2018 on the disbursement of ODA funds in 2018 and the Project Management Unit's estimate and the Project's status.

# STATEMENT OF ADVANCE ACCOUNT

For the period: from 01 January 2018 to 31 December 2018  
 Account No: 1010495989  
 Serving bank: Saigon – Hanoi Commercial Joint Stock Bank – Quang Nam Branch  
 Address: No. 215 Phan Boi Chau Street, Tan Thanh Ward, Tam Ky City, Quang Nam Province  
 Agreement: 3251-VIE

	Note	USD	USD
<b>PART A: ACTIVITIES</b>			
Opening balance			-
Add: Total amounts deposited by the ADB			476,883.00
Deduct: Total amounts withdrawn			(442,005.00)
Closing balance			<u>34,878.00</u>
<b>PART B: RECONCILIATION</b>			
1. Amount advanced by the ADB			250,000.00
2. Add: Amount supplemented by the ADB			-
3. Present outstanding amount advanced to			<u>250,000.00</u>
4. Closing balance of the Advance Account			34,878.00
5. Add:			
Transfer fee		10.00	
Amounts withdrawn but not yet claimed		<u>215,112.00</u>	
			215,122.00
6. Total advances accounted for			<u>250,000.00</u>

Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project  
Loan Agreement No. 2961 – VIE, Loan Agreement No. 3251 – VIE

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS

Loan Number 3251 – VIE  
For the year ended 31 December 2018

Withdrawal applications				Claimed		Received			
Number	Date	Currency	Advance	Civil Works	Consulting services	Total	Date	Amount	Variances Note
						(a)	(b)		
						(a)	(a) - (b)		
Advance account									
Year 2017									
QN011	21/12/2017	USD	250,000.00	-	-	-	16/01/2018	249,985.00	(5.00) (*)
Year 2018									
QN022	24/08/2018	USD	-	-	226,893.00	226,893.00	28/09/2018	226,888.00	(5.00) (*)
Direct payment									
Year 2017									
QN010	21/12/2017	VND	-	7,438,079,318	-	7,438,079,318	12/01/2018	7,438,079,318	-
QN012	21/12/2017	VND	-	5,333,056,363	-	5,333,056,363	12/01/2018	5,333,056,363	-
Year 2018									
QN013	02/01/2018	VND	-	3,158,574,409	-	3,158,574,409	12/01/2018	3,158,574,409	-
QN014	02/01/2018	VND	-	13,471,680,909	-	13,471,680,909	12/01/2018	13,471,680,909	-
QN015	02/01/2018	VND	-	37,184,062,228	-	37,184,062,228	12/01/2018	37,184,062,228	-
QN016	06/02/2018	VND	-	4,247,501,818	-	4,247,501,818	13/02/2018	4,247,501,818	-
QN017	25/06/2018	VND	-	5,638,350,909	-	5,638,350,909	03/07/2018	5,638,350,909	-
QN018	25/06/2018	VND	-	20,156,107,272	-	20,156,107,272	03/07/2018	20,156,107,272	-
QN019	28/06/2018	VND	-	17,461,107,273	-	17,461,107,273	03/07/2018	17,461,107,273	-
QN020	16/08/2018	VND	-	17,764,219,091	-	17,764,219,091	01/10/2018	17,764,219,091	-
QN021	16/08/2018	VND	-	10,260,323,637	-	10,260,323,637	20/09/2018	10,260,323,637	-
QN023	04/09/2018	VND	-	7,088,769,036	-	7,088,769,036	01/10/2018	7,088,769,036	-
QN024	01/10/2018	VND	-	13,524,239,091	-	13,524,239,091	09/10/2018	13,524,239,091	-
QN025	01/10/2018	VND	-	9,754,183,636	-	9,754,183,636	09/10/2018	9,754,183,636	-
QN026	26/10/2018	VND	-	21,621,059,091	-	21,621,059,091	30/11/2018	21,621,059,091	-
QN027	14/12/2018	VND	-	9,466,522,728	-	9,466,522,728	20/12/2018	9,466,522,728	-
QN028	14/12/2018	VND	-	20,621,815,510	-	20,621,815,510	20/12/2018	20,621,815,510	-
QN029	14/12/2018	VND	-	4,155,954,546	-	4,155,954,546	20/12/2018	4,155,954,546	-
Total in VND						228,345,606,865		228,345,606,865	-
Total in USD						250,000.00		476,883.00	(10.00)

(\*) Oversea bank charge



## NOTES TO THE PROJECT FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. Background

The Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program ("the Program"), which is invested by Quang Nam Water Supply and Drainage JSC ("Quang Nam WS"). In addition to the counterpart funds, the Project is financed by the Asian Development Bank ("ADB") under the Loan Number 2961 – VIE and the Loan Number 3251 – VIE ("the Agreements"). Some milestones of these agreements are as follows:

Agreement	Signing date	Effective date	Closing date (expected)
Loan No. 2961-VIE	23 May 2013	18 September 2013	30 June 2020
Loan No. 3251-VIE	19 November 2015	29 March 2016	31 December 2020

The main objectives of the Project are: (i) Constructing Dien Nam - Dien Ngoc water supply system with capacity of 15,000 m<sup>3</sup>/day each to supply water to 9 communes, Dien Nam - Dien Ngoc Industrial Park, Trang Nhat 1, 2 Industrial Park, and Dien Ban District Tourist Area; and (ii) Expansion of the Tam Hiep water supply system with a capacity from 5,000 m<sup>3</sup>/day to 20,000 m<sup>3</sup>/day for the purpose of providing sustainable water supply services for Chu Lai Economic Zone.

The Project includes 02 components as below:

#### Component 1: Constructing Dien Nam - Dien Ngoc urban water supply system

- ▶ Constructing a pumping station and a raw water pump station with the capacity of 15,000 m<sup>3</sup>/day at Bau Sau River;
- ▶ Installing a rough water pipeline of about 2.4 km to drain water from the crude water pump station to Dien Nam - Dien Ngoc Water Plant;
- ▶ Constructing Dien Nam - Dien Ngoc Water Plant with a capacity of 15,000m<sup>3</sup>/day for the phase I in 2013 - 2016 in Trang Nhat 1 Industrial Zone, Dien Bien District, including a tank of 32,000m<sup>3</sup> of raw water, a treatment group of 15,000 m<sup>3</sup>/day, a fresh water tank of 2,000 m<sup>3</sup>/day, a second level pump station and a filtration system, electrical equipment and drainage system using Lamem sedimentation technology;
- ▶ Constructing of a fresh water tank of 2,000 m<sup>3</sup>, sedimentation ponds for settling tanks and wastewater treatment tanks; constructing raw water pumping stations of 15,000 m<sup>3</sup>/day, grade II water supply stations for water supply and pressure requirements;
- ▶ Constructing a 18 km long transmission pipeline system using HDPE D400 and D300 pipes, 54 km of distribution pipeline using HDPE D110, D160, D225 and D250 pipes, 90 km of service pipeline and installing 8,000 consumption meters.

#### Component 2: Expansion of Tam Hiep water supply system

- ▶ Expansion of Tam Hiep water plant with a capacity from 5,000 m<sup>3</sup>/day to 20,000 m<sup>3</sup>/day with constructing of a new production unit of 15,000 m<sup>3</sup>/day in Bich Son village, Tam Xuan commune, Nui Thanh district and using fast filter technology;
- ▶ Constructing a D400 300m long raw water pipe from the raw water pump station in Phu Ninh lake to the water treatment plant in Tam Xuan 2 commune;
- ▶ Constructing a fresh water tank of 2,000 m<sup>3</sup>, sedimentation ponds for settling tanks and wastewater treatment tanks; constructing of raw water pumping stations of 15,000 m<sup>3</sup>/day, grade II water supply stations for water supply and pressure requirements;



- ▶ Building auxiliary works: operator, chemical house, workshop, warehouse, gate, fence, tree, internal road, drainage, electricity, new transformer station 560KVA - 22/0.4 KV;
- ▶ Constructing and installing of 18.1 km D500, D400 and D300 transmission pipelines, 39 km of D110, D165 and D250 distribution pipelines, and 75 km of service pipeline for 8,000 households.

The Project is managed by the Management Unit of Investment and Construction Projects of Quang Nam Water Supply and Drainage JSC ("the Project Management Unit"), and its office is located at No. 86-88 Phan Boi Chau Street, Tam Ky City, Quang Nam Province.

## 2. Principal Accounting Policies

### a. Basis of accounting

The annual accounting period commenced from 1<sup>st</sup> January to 31<sup>st</sup> December.

The Project Financial statements are prepared under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards and Circular No. 195/2012/TT-BTC dated 15 November 2012. Statement of Receipts and Disbursements is prepared on the cash basis.

These Financial statements are presented in Vietnam Dong (VND), except for Statements of Advance Account and Statement of Withdrawals and Reconciliation of Funds which are prepared in United State Dollar (USD). These Financial statements are prepared in accordance with the principal accounting policies are summarized as below:

### b. Foreign currencies

Funds received from the Asian Development Bank in foreign currency are converted to VND under buying exchange rate of Saigon – Hanoi Commercial Joint Stock Bank – Quang Nam Branch ("the serving bank") on the date of remittance made into Advance Accounts or direct payment made to contractors/suppliers, except capitalization of interest charges and commitment fees (Note 2c) in USD is converted to VND under monthly exchange rate of the Ministry of Finance in the month of announcement by the ADB.

Transactions in foreign currencies are converted to VND under the actual exchange rate of the serving bank on transaction dates. Monetary items denominated in foreign currencies are revalued annually at the actual exchange rate (buying exchange rate with assets / selling exchange rate with liabilities) of the serving bank at balance sheet date. All exchange differences from these transactions are recorded and presented as "Foreign exchange differences" on Statement of Financial Position.

### c. Funds and Expenditures

#### Funds:

- ▶ Funds received from the Asian Development Bank (ADB) are recorded when direct payments are made from ADB to contractors/suppliers or remittance are made into Advance Account. Of which, capitalization of interest charges and commitment fees are recognized upon announcement by the VDB – Quang Nam Branch (twice per year);
- ▶ Counterpart funds received from Quang Nam Province State budget are recorded when payments are made directly to contractors/suppliers of the Project or funds remitted to Quang Nam WS for settlement of the Project's activities;
- ▶ Counterpart funds received from Quang Nam WS are recorded when payments are made directly to contractors/suppliers or funds remitted to the Project Management Unit for settlement of the Project's activities.



Expenditures:

- ▶ The Project's expenditures (excluding tax) are recorded when they are actually incurred, except for salary costs in "Project management costs" that are allocated upon people assigned to the Project and rates approved by the funds of Quang Nam WS;
- ▶ Value added tax is declared and deducted at Quang Nam WS. Value added tax deductibles is separately presented as an item on Statement of Financial Position.

**d. Advance Accounts and their interest**

Advance Accounts are the deposit accounts in USD opened at the serving bank for the Project's activities. Payments made via the Advance Accounts are for eligible expenditures of the Project in accordance with provisions of the Loan Number 2961 – VIE signed on 23 May, 2013 and the Loan Number 3251 – VIE signed on 19 November, 2015.

Interest of the Advance Accounts is considered as receipts of Quang Nam WS and initially recorded as Other payables in Statement of Financial Position. They are used to cover bank charges. At the end of the Project, outstanding interests will be returned to Quang Nam Water Supply and Drainage JSC. In case bank charges are not fully covered by the interests, Quang Nam Water Supply and Drainage JSC will plan to settle by the counterpart funds (according to Circular No.111/2016/TT-BTC dated 30 June 2016).

**3. Cash at bank**

	31/12/2018	31/12/2017
	VND	VND
Current account (VND)	54,052,293	11,480,603
Current account (USD)	815,069,760	6,799,500
	<b>869,122,053</b>	<b>18,280,103</b>

**4. Advance to contractors**

	31/12/2018	31/12/2017
	VND	VND
<b>Civil Works</b>		
HOWACO Ltd	-	66,949,378
<b>Consulting Services</b>		
SWS Consulting Engineering Srl	219,203,521	952,867,050
International Engineering Consultant JSC	1,548,665,395	4,343,565,000
Others	52,000,000	52,000,000
<b>Resettlement and Land Acquisition</b>		
Dien Ban Industry - Commerce and Service Development Center	1,008,013,472	918,982,000
Clearance - Compensation Department of Management Chu Lai Open Economic Zone	54,588,000	54,588,000
Ky Ha Chu Lai Development and Investment Co., Ltd	2,300,648	7,390,648
	<b>2,884,771,036</b>	<b>6,396,342,076</b>



**5. Project Implementation Expenditures**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	VND	VND
<b>Loan Number 2961 - VIE</b>	<b>96,620,455</b>	<b>85,758,298</b>
Interest charges and commitment fees	96,620,455	85,758,298
<b>Loan Number 3251 - VIE</b>	<b>351,785,168,105</b>	<b>128,793,206,744</b>
Civil Works	323,136,595,998	116,669,975,089
Resettlement and Land Acquisition	7,762,450,594	7,762,450,594
Consulting Services	13,691,305,800	753,765,171
Interest charges and commitment fees	3,206,841,027	1,616,850,469
Project management and other disbursements	3,987,974,686	1,990,165,421
	<u><b>351,881,788,560</b></u>	<u><b>128,878,965,042</b></u>

In which, expenditures incurred before the effective date of Loan Number 3251 – VIE (29 March 2016) is VND 14,333,024,488.

**6. Payable to contractors**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	VND	VND
<b>Civil Works</b>		
Son Ha Investment and Construction Co., Ltd	300,520,000	500,520,000
5 Hai Investment and Construction Consultant Co., Ltd	-	50,566,000
Dai Phu Thinh Co., Ltd	31,337,009,860	49,230,775,196
Pumps Europe JSC	7,939,834,108	5,794,996,200
Ha Lan Co.,Ltd	8,402,121,267	-
Minh Son Construction JSC	28,580,000	-
	<u><b>48,008,065,235</b></u>	<u><b>55,576,857,396</b></u>

# Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project

Financial Statements  
Year ended 31 December 2018

Loan Number 2961 – VIE  
Loan Number 3251 – VIE

## 7. Funds received from the Asian Development Bank

	Year ended 31/12/2018		Incurred and accumulated to 31/12/2018	
	Original	Converted to VND	Original currency	Converted to VND
<b>Loan Number 2961 – VIE</b>		<b>10,862,157</b>		<b>96,620,455</b>
Capitalization of interest charges and commitment fees (USD)	481.18	10,862,157	4,427.30	96,620,455
<b>Loan Number 3251 – VIE</b>		<b>240,893,223,253</b>		<b>306,232,825,576</b>
Advance account (USD)	476,893.00	10,957,625,830	476,893.00	10,957,625,830
Advance	250,000.00	5,668,750,000	250,000.00	5,668,750,000
Replenishment (USD)	226,893.00	5,288,875,830	226,893.00	5,288,875,830
Direct payments		228,345,606,865		292,068,358,719
VND	228,345,606,865	228,345,606,865	288,260,900,639	288,260,900,639
USD			167,906.00	3,807,458,080
Capitalization of interest charges and commitment fees (USD)	70,707.10	1,589,990,558	143,421.72	3,206,841,027
		<b>240,904,085,410</b>		<b>306,329,446,031</b>

## 8. Disbursements

### a. Disbursements by categories and by funding

	Year ended 31/12/2018			
	Loan 2961-Vie	Loan 3251-Vie	Counterpart funds (*)	Total
	VND	VND	VND	VND
Civil Works	-	228,345,606,865	6,274,662,555	234,620,269,420
Resettlement and Land Acquisition	-	-	1,567,963,472	1,567,963,472
Consulting Services	-	10,200,450,780	387,216,070	10,587,666,850
Interest charges and commitment fees	10,862,157	1,589,990,558	-	1,600,852,715
Project management and other disbursements	-	-	2,026,270,734	2,026,270,734
	<b>10,862,157</b>	<b>240,136,048,203</b>	<b>10,256,112,831</b>	<b>250,403,023,191</b>

Disbursements are financed under the Loan Number 2961 - VIE dated 23 May 2013 and the Loan Number 3251 – VIE signed on 19 November, 2015 as below:

Agreement	Categories	Funding rate (%)
Loan Number 2961 – VIE	Consulting Services, Interest charges and commitment fees	100% expenditures excluding tax
Loan Number 3251 – VIE	Civil Works, Consultant Services, Interest charges and commitment fees	100% expenditures excluding tax

(\*) Up to 31/12/2018, counterpart funds were only disbursed for Loan 3251-Vie signed on 19 November, 2015.

**b. Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements as at 31 December 2018 (Loan Number No. 2961 – VIE, Loan Number No. 3251 – VIE)**

	VND	VND
<b>Project Implementation Expenditures</b>		<b>351,881,788,560</b>
Add:		
Deductible Value added tax	33,539,376,208	
Advances to staff	2,512,852,000	
Advances to contractors	<u>2,884,771,036</u>	
		38,936,999,244
Deduct:		
Payable to contractors	(48,008,065,235)	
Tax payables to State (Foreign Contractor Tax)	<u>(52,790,419)</u>	
		(48,060,855,654)
<b>Disbursements accumulated to closing</b>		<b><u>342,757,932,150</u></b>

**9. Subsequent events**

There have been no significant events occurring after the reporting date, which would require adjustments or disclosures to be made in the Project Financial statements.

**10. Corresponding figures**

The corresponding figures are the financial statements for the period from 18 September 2013 to 31 December 2017 which were audited by AASC Limited.



#### 11. Approval of the Project Financial statements

The Project Financial statements were approved by the Project Management Unit for issuance on 31 May 2019.



**Ngô Đức Trung**  
Director

Quang Nam, 31 May 2019

**Nguyen Huu Y**  
Chief Accountant