

# 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 Hai Phong Water

For the Asian Development Bank

Date received by ADB: 28 June 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 Hai Phong CPC.

**REHABILITATING AND UPGRADING PROJECT OF  
HAI PHONG WATER SUPPLY SYSTEM – PHASE 2**

Loan Agreement No. 2961 – VIE

**AUDITED FINANCIAL STATEMENTS**  
Fiscal year ended 31 December 2018

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

The Management Unit of City Water Supply and Sanitation of Hai Phong Water JSC presents this report and the Financial Statements of the Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2 ("the Project") for the fiscal ended 31 December 2018.

### **The Project**

The Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2 is implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 ("the Agreement") between the Vietnamese Government and the Asian Development Bank.

### **The Project Management Unit**

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

|                      |                  |
|----------------------|------------------|
| Mr. Tran Viet Cuong  | Director         |
| Mr. Nguyen Van Duc   | Deputy Director  |
| Mr. Nguyen Minh Ngoc | 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, which comply with the accounting policies described in the attached Notes to the 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 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 additional, the Project Management Unit is also 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 Agreement No. 2961 - VIE dated 23 May 2013;
- ▶ 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 Agreement No. 2961 – VIE dated 23 May 2013.

Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2  
Loan Agreement No. 2961 – VIE

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On behalf of the Project Management Unit



Tran Viet Cuong  
Director

Hai Phong, 15 June 2019

No.: 150619.001/BCTC.FIS2

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

**To: The Management Unit of City Water Supply and Sanitation**

### *Opinion*

We have audited the accompanying financial statements of the Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2 ("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 Notes to the Financial Statements for the period then ended, including a summary of significant accounting policies, as set out on pages from 07 to 20.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Project, including the balance of the Advance Account as at 31 December 2018, funds received and expenditures incurred, movements of the Advance Account for the year then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provisions of the Loan Agreement No. 2961 – VIE dated 23 May 2013.

### *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 Auditors' 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 principal accounting policies described in 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 cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Project Management Unit regarding, 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.



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

*Hanoi, 15 June 2019*

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

**STATEMENT OF FINANCIAL POSITION**  
*As at 31 December 2018*

|                                     | Note | 31/12/2018<br>VND      | 31/12/2017<br>VND      |
|-------------------------------------|------|------------------------|------------------------|
| <b>CURRENT ASSETS</b>               |      | <b>178,741,377,160</b> | <b>47,213,442,914</b>  |
| Cash at bank                        | 03   | 19,499,901,455         | 3,975,938,659          |
| Deductible Value added tax          |      | 23,247,814,278         | 4,760,105,591          |
| Advances to contractors             | 04   | 135,993,661,427        | 38,477,398,664         |
| <b>NON-CURRENT ASSETS</b>           |      | <b>319,656,965,647</b> | <b>98,824,222,386</b>  |
| Project Implementation Expenditures | 05   | 319,656,965,647        | 98,824,222,386         |
| <b>TOTAL ASSETS</b>                 |      | <b>498,398,342,807</b> | <b>146,037,665,300</b> |
| <b>CURRENT LIABILITIES</b>          |      | <b>23,082,985,683</b>  | <b>38,383,777,899</b>  |
| Payables to contractors             | 06   | 23,082,641,775         | 38,383,743,439         |
| Other payables (Bank interest)      |      | 343,908                | 34,460                 |
| <b>FUNDS</b>                        |      | <b>475,315,357,124</b> | <b>107,653,887,401</b> |
| Project Implementation Funds        |      | 474,771,713,694        | 107,378,579,833        |
| - The Asian Development Bank        | 07   | 339,132,049,233        | 63,596,416,654         |
| - Hai Phong City State budget       |      | 17,014,000,000         | 17,014,000,000         |
| - Hai Phong Water JSC               |      | 118,625,664,461        | 26,768,163,179         |
| Foreign exchange differences        | 08   | 543,643,430            | 275,307,568            |
| <b>TOTAL RESOURCES</b>              |      | <b>498,398,342,807</b> | <b>146,037,665,300</b> |

**Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2**  
Loan Agreement No. 2961 – VIE

**Financial Statements**  
Year ended 31 December 2018

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Year ended 31 December 2018

|   | Note | Accumulated to<br>31/12/2017<br>VND | Year 2018<br>VND       | Accumulated to<br>31/12/2018<br>VND |
|---|------|-------------------------------------|------------------------|-------------------------------------|
| <b>RECEIPTS</b>   |      |                                     |                        |                                     |
| Received from the Asian Development Bank                        |      | 63,596,416,654                      | 275,535,632,579        | 339,132,049,233                     |
| Received from Hai Phong City State budget                       |      | 17,014,000,000                      | -                      | 17,014,000,000                      |
| Received from Hai Phong Water JSC                               |      | 26,768,163,179                      | 91,857,501,282         | 118,625,664,461                     |
| Others  |      | 34,460                              | 309,448                | 343,908                             |
|   |      | <b>107,378,614,293</b>              | <b>367,393,443,309</b> | <b>474,772,057,602</b>              |
| <b>DISBURSEMENTS</b>  |      |                                     |                        |                                     |
| Civil Works   |      | 36,083,954,420                      | 294,752,365,556        | 330,836,319,976                     |
| Resettlement and Land Acquisition                               |      | 22,704,631,900                      | 28,430,678,188         | 51,135,310,088                      |
| Consulting Services   |      | 26,006,980,116                      | 19,540,491,167         | 45,547,471,283                      |
| Interest charges and commitment fees                            |      | 8,913,006,168                       | 6,692,476,907          | 15,605,483,075                      |
| Project management  |      | 3,721,271,167                       | 278,728,833            | 4,000,000,000                       |
| Others  |      | 6,148,480,339                       | 2,155,609,115          | 8,304,089,454                       |
|   | 09   | <b>103,578,324,110</b>              | <b>351,850,349,766</b> | <b>455,428,673,876</b>              |
| <b>FOREIGN EXCHANGE DIFFERENCES</b>                             |      |                                     |                        |                                     |
| Foreign exchange differences due to revaluation of cash balance |      | 175,648,476                         |                        | 156,517,729                         |
|   |      | <b>175,648,476</b>                  |                        | <b>156,517,729</b>                  |
| <b>RECONCILIATION AS AT CLOSING</b>                             |      |                                     |                        |                                     |
|   |      | <b>3,975,938,659</b>                |                        | <b>19,499,901,455</b>               |
| <i>Presented by:</i>  |      |                                     |                        |                                     |
| Cash at bank  | 03   | 3,975,938,659                       |                        | 19,499,901,455                      |

STATEMENT OF BUDGET VERSUS ACTUAL DISBURSEMENTS

Year ended 31 December 2018

| Categories                              | Budget Disbursements |                      |                 | Actual Disbursements |                      |                 | Variance             |                      |                   |
|---|----------------------|----------------------|-----------------|----------------------|----------------------|-----------------|----------------------|----------------------|-------------------|
|   | Loan<br>No. 2961-VIE | Counterpart<br>funds | Total           | Loan<br>No. 2961-VIE | Counterpart<br>funds | Total           | Loan<br>No. 2961-VIE | Counterpart<br>funds | Total             |
|   | VND                  | VND                  | VND             | VND                  | VND                  | VND             | VND                  | VND                  | VND               |
| Civil Works                             | 439,978,146,112      | 44,368,501,066       | 484,346,647,978 | 242,298,424,332      | 52,660,881,498       | 294,929,305,830 | (197,709,721,780)    | 8,292,379,632        | (189,417,342,148) |
| Resettlement and<br>Land Acquisition    | -                    | 9,400,000,000        | 9,400,000,000   | -                    | 28,430,677,814       | 28,430,677,814  | -                    | 19,030,677,814       | 19,030,677,814    |
| Consulting Services                     | 23,594,980,329       | 8,730,748,740        | 32,325,729,069  | 11,211,963,896       | 8,331,603,648        | 19,543,567,544  | (12,383,016,433)     | (399,145,092)        | (12,782,161,525)  |
| Interest charges and<br>commitment fees | 12,566,400,000       | -                    | 12,566,400,000  | 6,699,860,733        | -                    | 6,699,860,733   | (5,876,539,267)      | -                    | (5,876,539,267)   |
| Project management                      | -                    | 1,500,000,000        | 1,500,000,000   | -                    | 400,000,000          | 400,000,000     | -                    | (1,100,000,000)      | (1,100,000,000)   |
| Others                                  | -                    | 1,910,000,000        | 1,910,000,000   | -                    | 2,155,608,464        | 2,155,608,464   | -                    | 245,608,464          | 245,608,464       |
|   | 476,139,526,441      | 65,909,250,606       | 542,048,777,047 | 260,170,248,961      | 91,878,771,424       | 352,149,020,385 | (215,969,277,480)    | 26,069,520,818       | (189,899,756,662) |
|   |                      |                      |                 |                      |                      |                 |                      |                      | 65%               |

(i) The 2018 budget disbursement was prepared on the Project Management Unit's estimate and the Project's status;

(ii) The 2018 budget disbursement also including VND 25,600,000,000 of Resettlement and Land acquisition activity from the 2017 budget disbursement.

**STATEMENT OF ADVANCE ACCOUNT**

For the period: from 01 January 2018 to 31 December 2018  
 Account No: 2100206000210  
 Serving bank: Vietnam Bank for Agriculture and Rural Development  
 – Hai Phong City Branch  
 Address: No. 283 Lach Tray, Ngo Quyen District, Hai Phong City  
 Agreement No.: 2961-VIE

|   | Note | USD                 |
|---|------|---------------------|
| <b>PART A: ACTIVITIES</b>   |      |                     |
| Opening balance   |      | 176,599.31          |
| Add: Total amounts deposited by the ADB   |      | 11,663,613.07       |
| Deduct: Total amounts withdrawn   |      | (10,999,351.77)     |
| <b>Closing balance</b>  |      | <b>840,860.61</b>   |
| <b>PART B: RECONCILIATION</b>   |      |                     |
| 1. Amount advanced by the ADB   |      | 499,505.37          |
| 2. Add: Amount supplemented by the ADB  |      | 4,500,494.63        |
| <b>3. Present outstanding amount advanced to</b>  |      | <b>5,000,000.00</b> |
| 4. Closing balance of the Advance Account   |      | 840,860.61          |
| 5. Add:   |      |                     |
| - Amounts claimed but not yet credited  | (i)  | 3,087,702.54        |
| - Amounts withdrawn but not yet claimed   | (ii) | 1,071,436.85        |
| <b>6. Total advances accounted for</b>  |      | <b>5,000,000.00</b> |
| (i) Claimed at Withdrawal application No. HP011 dated 29 December 2018, No. HP012 and No. HP-13 dated 19 December 2018. |      |                     |
| (ii) Including:   |      |                     |
|   |      | USD                 |
| Civil works   |      | 913,841.86          |
| Consulting services   |      | 157,594.99          |
|   |      | <b>1,071,436.85</b> |

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS

Year ended 31 December 2018

| Withdrawal applications |            |          | Claimed      |                     |                     | Received             |                      |              | Variances    | Note                |  |
|-------------------------|------------|----------|--------------|---------------------|---------------------|----------------------|----------------------|--------------|--------------|---------------------|--|
| Number                  | Date       | Currency | Advance      | Consulting services | Civil works         | Amount               | Date                 | Amount       |              |                     |  |
| <b>Advance Account</b>  |            |          |              |                     |                     |                      |                      |              |              |                     |  |
| HP005                   | 16/04/2018 | USD      | -            | 373,251.03          | 2,286,229.38        | 2,659,480.41         | 21/05/2018           | 2,659,480.41 | -            |                     |  |
| HP006                   | 31/01/2018 | USD      | 2,482,498.52 | -                   | -                   | 2,482,498.52         | 07/02/2018           | 2,482,498.52 | -            |                     |  |
| HP007                   | 13/07/2018 | USD      | 2,017,996.11 | -                   | -                   | 2,017,996.11         | 23/07/2018           | 2,017,996.11 | -            |                     |  |
| HP008                   | 04/07/2018 | USD      | -            | -                   | 2,105,862.63        | 2,105,862.63         | 02/08/2018           | 2,105,862.63 | -            |                     |  |
| HP009                   | 25/09/2018 | USD      | -            | -                   | 1,270,753.05        | 1,270,753.05         | 08/10/2018           | 1,270,753.05 | -            |                     |  |
| HP010                   | 25/09/2018 | USD      | -            | 2,317.64            | 1,124,704.71        | 1,127,022.35         | 07/01/2018           | 1,127,022.35 | -            |                     |  |
| HP011                   | 29/12/2018 | USD      | -            | 274,589.18          | 664,514.55          | 939,103.73           | -                    | -            | 939,103.73   | (i)                 |  |
| HP012                   | 19/12/2018 | USD      | -            | -                   | 1,046,410.28        | 1,046,410.28         | -                    | -            | 1,046,410.28 | (i)                 |  |
| HP013                   | 19/12/2018 | USD      | -            | -                   | 1,102,188.53        | 1,102,188.53         | -                    | -            | 1,102,188.53 | (i)                 |  |
| <b>Total in USD</b>     |            |          |              | <b>650,157.85</b>   | <b>9,600,663.13</b> | <b>14,751,315.61</b> | <b>11,663,613.07</b> |              |              | <b>3,087,702.54</b> |  |
|                         |            |          |              | <b>4,500,494.63</b> |                     |                      |                      |              |              |                     |  |

(i) Claimed at Withdrawal application No. HP011 dated 29 December 2018, No. HP012 and No. HP-13 dated 19 December 2018. The amount has been replenished in January 2019.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. Background

The Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2 ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program – Project 2 ("the Program") implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 ("the Agreement") between the Vietnamese Government and the Asian Development Bank ("ADB").

Total budget of the Loan under the Agreement is USD 212,000,000 for 15 projects in 12 provinces, of which USD 207,000,000 is for 6 projects in Hai Phong, Quang Tri, Thua Thien Hue, Da Nang, Dak Lak and Binh Duong which are provinces with the best preparation and USD 5,000,000 for the remaining 9 projects. Hai Phong Water JSC is entitled to borrow USD 56,800,000 to implement the Project.

The objective of the Program is: the sustainable provision of safe water in Viet Nam through improvement in the efficiency of Vietnamese water utilities. In which, the main objectives of the Project are: (i) constructing 02 new Water Treatment Plants with capacity of 25,000 m<sup>3</sup>/day each, upgrading a Water Treatment Plant to capacity of 200,000 m<sup>3</sup>/day and converting a Water Treatment Plant to a pumping station; (ii) constructing approximately 80 km of transmission mains, including booster pumping station(s); and (iii) constructing distribution systems for about 20,000 households.

The Sub-project in Hai Phong includes 04 components as below:

- ▶ Do Son component (Rehabilitation and Construction of Do Son Water Supply System and adjacent areas): Construction of a new Hung Dao WTP with capacity of 25,000 m<sup>3</sup>/day; Rehabilitate/Convert the existing Do Son WTP into a booster pumping station; and Construction of 34 km transmission mains and rehabilitation of distribution systems (about 20,000 connections in Do Son, Duong Kinh, Kien Thuy districts and adjacent areas);
- ▶ Northern Cam River component (Construction of Water Supply System in Northern part of Cam River): Construction of a new Ngu Lao WTP 25,000 m<sup>3</sup>/day in Northern part of Cam River area, about 18 km transmission pipelines, and Tan Duong booster pumping station, Thuy Nguyen District;
- ▶ An Duong component (Upgrading of An Duong WTP): Rehabilitate/Upgrade An Duong WTP from 100,000 m<sup>3</sup>/day to 200,000 m<sup>3</sup>/day, including reservoirs, pumping system, chemical building, etc. and about 05 km transmission pipelines;
- ▶ Kim Son component (Construction of Kim Son Water Supply System): Construction of transmission pipelines of Vat Cach No. 2 WTP to supply water for Kim Son area.

The Project officially came into operation on 18 September 2013 and is expected to be closed on 31 December 2020.

The Project is managed by the Management Unit City of Water Supply and Sanitation ("the PMU"), one of Hai Phong Water JSC's units, and its office is located at No. 54 Dinh Tien Hoang, Hong Bang District, Hai Phong City.

### 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 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 which are prepared in United State Dollar (USD). Other 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 translated into VND under buying exchange rate of Vietnam Bank for Agriculture and Rural Development – Hai Phong City Branch ("the serving bank") on the date of remittance made into the Advance Account or direct payment made to contractors.

Transactions in foreign currencies are translated to VND under actual exchange rates of the serving bank on their transaction dates. Monetary items denominated in foreign currencies are revalued annually at 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 into "Foreign exchange differences" account and presented as "Foreign exchange differences" on Statement of Financial Position.

**c. Funds and Expenditures**

Funds:

- ▶ Funds received from the Asian Development Bank are recorded when direct payments are made from ADB to contractors/suppliers or remittance are made into the Advance Account. Of which, capitalization of interest charges and commitment fees are recognized upon announcement by the ADB (twice per year);
- ▶ Counterpart funds received from Hai Phong City State budget are recorded when payments are made directly to contractors/suppliers of the Project or funds remitted to Hai Phong Water JSC for settlement of the Project's activities;
- ▶ Counterpart funds received from Hai Phong Water JSC are recorded when payments are made directly to contractors/suppliers or funds remitted to the PMU for settlement of the Project's activities.

Expenditures:

- ▶ Interest charges and commitment fees are recognized upon announcement by the ADB (twice per year);
- ▶ Salary costs in "Project management costs" that are allocated upon people assigned to the Project and rates approved by the funds of Hai Phong Water JSC
- ▶ Other expenditures, excluding value added tax ("VAT"), are recorded when they are actually incurred.

**d. Value added tax**

VAT is declared and claimed at Hai Phong Water JSC, and it is recorded separately on the Project's financial statements.

**e. Advance Account and its interest**

Advance Account is the deposit account in USD opened at the serving bank for the Project's activities. Payments made via the Advance Account are for eligible expenditures of the Project in accordance with provisions of the Loan Agreement No. 2961 – VIE dated 23 May 2013.

Interests of the Advance Account are considered as receipts of Hai Phong Water JSC 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 Hai Phong Water JSC.

In case bank charges are not fully covered by the interests, Hai Phong Water 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                  |
| Advance Account (USD)                 | 19,499,557,547        | 3,975,904,199        |
| Interest of the advance account (USD) | 343,908               | 34,460               |
|                                       | <b>19,499,901,455</b> | <b>3,975,938,659</b> |

**4. Advance to contractors**

|   | 31/12/2018             | 31/12/2017            |
|---|------------------------|-----------------------|
|   | VND                    | VND                   |
| <b>Civil Work</b>   |                        |                       |
| Bach Dang Construction Corporation JSC  | 31,893,800,129         | -                     |
| VINACO Investment and Development JSC   | 25,625,154,281         | -                     |
| Ha Huy JSC  | 19,624,755,283         | -                     |
| Vietnam France Investment Construction JSC  | 15,397,469,239         | 17,709,618,061        |
| Viwaseen 3 JSC  | 15,360,087,473         | 18,374,336,359        |
| Vietnam water and Environment investment Corporation JSC                                  | 11,296,208,870         | -                     |
| Salcon Engineering Behad Malaysia   | 10,725,074,101         | -                     |
|   | -                      | -                     |
| <b>Consulting Services</b>  |                        |                       |
| Haskoning DHV Vietnam Co., Ltd  | 6,071,112,051          | -                     |
| Joint venture between Vietnam Water, Sanitation and Environment JSC and Meinhardt Limited | -                      | 2,393,444,244         |
|   | <b>135,993,661,427</b> | <b>38,477,398,664</b> |

**5. Project Implementation Expenditures**

|   | 31/12/2018<br>VND      | 31/12/2017<br>VND     |
|---|------------------------|-----------------------|
| <b>Civil Work</b>   | <b>203,121,930,177</b> | <b>34,222,285,440</b> |
| Supplying equipment and construction, installation for Do Son components (CW1)                      | 109,645,022,858        | 34,222,285,440        |
| Supplying equipment and construction, installation for An Duong components (CW2)                    | 93,476,907,319         | -                     |
| <b>Resettlement and Land Acquisition</b>  | <b>51,135,310,088</b>  | <b>22,704,631,900</b> |
| <b>Consulting Services</b>  | <b>37,182,232,629</b>  | <b>22,661,005,633</b> |
| Detailed Design Consultant and Bid Support for Do Son, An Duong components (CS1)                    | 20,864,605,815         | 20,864,605,815        |
| Detailed Design Consultant and Bid Support for Northern Cam River, Kim Son components (CS2)         | 3,448,600,000          | 1,724,299,818         |
| Construction Supervision and Contract Management for Do Son and Northern Cam River components (CS3) | 12,724,826,814         | -                     |
| Financial auditing consultancy service (CS7)  | 144,200,000            | 72,100,000            |
| <b>Interest charges and commitment fees</b>   | <b>15,605,483,075</b>  | <b>8,913,006,168</b>  |
| <b>Project management costs</b>   | <b>4,184,721,059</b>   | <b>3,905,992,226</b>  |
| <b>Others</b>   | <b>8,427,288,619</b>   | <b>6,417,301,019</b>  |
| Detailed design of water distribution network in Do Son area (CF1)                                  | 2,117,940,000          | 2,117,940,000         |
| Mine clearance for Do Son and An Duong components (CF2)   | 142,798,182            | 142,798,182           |
| Verification of budget for Do Son and An Duong components (CF5)                                     | 408,412,727            | 408,412,727           |
| Verification of budget for Northern Cam River and Kim Son components (CF6)                          | 275,148,467            | -                     |
| Geological survey for Do Son and An Duong components (CF7)  | 3,262,697,923          | 3,262,697,272         |
| Geological survey for Northern Cam River components (CF8)   | 1,181,066,680          | -                     |
| Others (i)  | 1,039,224,640          | 485,452,838           |
|   | <b>319,656,965,647</b> | <b>98,824,222,386</b> |

- (i) Including on-lent fee, cost for procurement, cost for survey and design... that were funded by the counterpart funds.

**6. Payable to contractors**

|  | 31/12/2018<br>VND     | 31/12/2017<br>VND     |
|--|-----------------------|-----------------------|
| <b>Civil Work</b>                          |                       |                       |
| Bach Dang Construction Corporation JSC     | 10,282,459,806        | -                     |
| Viwaseen 3 JSC                             | 7,799,635,561         | 28,485,445,824        |
| Vietnam France Investment Construction JSC | 4,261,316,953         | 9,159,068,160         |
| <b>Others</b>                              |                       |                       |
| Technical Department - Hai Phong Water JSC | 576,094,000           | 576,094,000           |
| Hai Phong Construction Design JSC          | 163,135,455           | 163,135,455           |
|  | <b>23,082,641,775</b> | <b>38,383,743,439</b> |

**7. Funds received from the Asian Development Bank**

|  | Year 2018            |                        | Accumulated to 31/12/2018 |                        |
|--|----------------------|------------------------|---------------------------|------------------------|
|  | Original<br>currency | Converted<br>to VND    | Original<br>currency      | Converted<br>to VND    |
| Advance Account  | 11,663,613.07        | 268,843,155,672        | 12,647,692.98             | 290,722,971,230        |
| Advance (USD)  | 4,500,494.63         | 103,025,044,051        | 5,000,000.00              | 113,929,246,278        |
| Replenishment (USD)  | 7,163,118.44         | 165,818,111,621        | 7,647,692.98              | 176,793,724,952        |
| Direct payments  | -                    | -                      | -                         | 32,803,594,928         |
| VND  | -                    | -                      | -                         | 32,803,594,928         |
| Capitalization of interest<br>charges and commitment<br>fees (USD) | 289,177.27           | 6,692,476,907          | 691,105.61                | 15,605,483,075         |
|  |                      | <b>275,535,632,579</b> |                           | <b>339,132,049,233</b> |

**8. Foreign exchange differences**

|  | 31/12/2018<br>VND  | 31/12/2017<br>VND  |
|--|--------------------|--------------------|
| Foreign exchange differences due to payment  | 387,125,701        | 99,659,092         |
| Foreign exchange differences due to revaluation of cash<br>balance at the year-end | 156,517,729        | 175,648,476        |
|  | <b>543,643,430</b> | <b>275,307,568</b> |

**Rehabilitating and Upgrading Project of Hai Phong Water Supply System – Phase 2**  
Loan Agreement No. 2961 – VIE

**Financial Statements**  
Year ended 31 December 2018

|   | Loan No. 2961-VIE      | Year 2018             |                        | Total |
|---|------------------------|-----------------------|------------------------|-------|
|   |                        | Counterpart funds     | VND                    |       |
| <b>9. Disbursements</b>   |                        |                       |                        |       |
| <b>a. Disbursements by categories and by funding</b>  |                        |                       |                        |       |
| <b>Civil Works</b>  |                        |                       |                        |       |
| Supplying equipment and construction, installation for Do Son component (CW1)                       | 242,091,484,058        | 52,660,881,498        | 294,752,365,556        |       |
| Supplying equipment and construction, installation for An Duong component (CW2)                     | 82,977,169,699         | 20,262,376,365        | 103,239,546,064        |       |
| Supplying equipment and construction, installation for Northern Cam River component (CW3)           | 112,131,869,787        | 22,842,211,118        | 134,974,080,905        |       |
|   | 46,982,444,572         | 9,556,294,015         | 56,538,738,587         |       |
| <b>Resettlement and Land Acquisition</b>  | -                      | 28,430,678,188        | 28,430,678,188         |       |
| <b>Consulting Services</b>  | 11,208,887,519         | 8,331,603,648         | 19,540,491,167         |       |
| Detailed Design Consultant and Bid Support for Northern Cam River, Kim Son components (CS2)         | -                      | 1,896,730,200         | 1,896,730,200          |       |
| Construction Supervision and Contract Management for Do Son and Northern Cam River components (CS3) | 7,128,670,106          | 4,379,695,930         | 11,508,366,036         |       |
| Construction Supervision and Contract Management for Northern Cam River, Kim Son components (CS4)   | 4,046,333,752          | 2,009,884,298         | 6,056,218,050          |       |
| Financial auditing consultancy service (CS7)  | 33,883,661             | 45,293,220            | 79,176,881             |       |
| <b>Interest charges and commitment fees</b>   | 6,692,476,907          | -                     | 6,692,476,907          |       |
| <b>Project management</b>   | -                      | 278,728,833           | 278,728,833            |       |
| <b>Other (i)</b>  | -                      | 2,155,609,115         | 2,155,609,115          |       |
|   | <b>259,992,848,484</b> | <b>91,857,501,282</b> | <b>351,850,349,766</b> |       |

|   | Accumulated to 31/12/2018 |                          |                        |
|---|---------------------------|--------------------------|------------------------|
|   | Loan No. 2961-VIE<br>VND  | Counterpart funds<br>VND | Total<br>VND           |
| <b>Civil Works</b>  |                           |                          |                        |
| Supplying equipment and construction, installation for Do Son component (CW1)                       | 274,895,078,986           | 55,941,240,990           | 330,836,319,976        |
| Supplying equipment and construction, installation for An Duong component (CW2)                     | 115,780,764,627           | 23,542,735,857           | 139,323,500,484        |
| Supplying equipment and construction, installation for Northern Cam River component (CW3)           | 112,131,969,787           | 22,842,211,118           | 134,974,080,905        |
|   | 46,982,444,572            | 9,556,294,015            | 56,538,738,587         |
| <b>Resettlement and Land Acquisition</b>  | -                         | 51,135,310,088           | 51,135,310,088         |
| <b>Consulting Services</b>  |                           |                          |                        |
| Detailed Design Consultant and Bid Support for Northern Do Son, An Duong components (CS1)           | 29,305,423,331            | 16,242,047,952           | 45,547,471,283         |
| Detailed Design Consultant and Bid Support for Northern Cam River, Kim Son components (CS2)         | 15,850,102,382            | 5,788,352,180            | 21,638,454,562         |
| Construction Supervision and Contract Management for Do Son and Northern Cam River components (CS3) | 9,303,003,536             | 3,793,460,000            | 13,096,463,536         |
| Construction Supervision and Contract Management for Northern Cam River, Kim Son components (CS4)   | 4,046,333,752             | 4,597,848,254            | 8,644,182,006          |
| Financial auditing consultancy service (CS7)  | 105,983,661               | 52,503,220               | 158,486,881            |
| <b>Interest charges and commitment fees</b>   | 15,605,483,075            | -                        | 15,605,483,075         |
| <b>Project management</b>   | -                         | 4,000,000,000            | 4,000,000,000          |
| <b>Other (i)</b>  | -                         | 8,304,089,454            | 8,304,089,454          |
|   | <b>319,805,985,392</b>    | <b>135,622,688,484</b>   | <b>455,428,673,876</b> |

(i) Including: Detailed design of water distribution network, mine clearance, verification of budget, geological survey and other expenditures related to bidding.

Disbursements are financed under the Loan No. 2961 - VIE dated 23 May 2013 as below (including tax):

| Categories                           | Funding rate (ii) |
|--------------------------------------|-------------------|
| Works                                | 83.10%            |
| Equipment                            | 86.90%            |
| Consulting Services                  | 66.90%            |
| Interest charges and commitment fees | 100.00%           |

(ii) Under Decision No. 2216/QĐ-CTN signed on 29 November 2018 by the President of Vietnam, the new funding ratio has been changed to 100%, exclusive of tax for all categories. The Ministry of Finance and the Asian Development Bank Resident Mission in Vietnam have released an official document No. 4529/BTC-QLN dated 17/04/2019 and No. 803/NHPT-VNN dated 09/05/2019 to approve the new funding ratio.

**b. Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements as at 31/12/2018**

|  | VND              | VND                    |
|--|------------------|------------------------|
| <b>Project Implementation Expenditures</b>           |                  | <b>319,656,965,647</b> |
| Add:   |                  |                        |
| Advances to contractors                              | 135,993,661,427  |                        |
| Deductible Value added tax                           | 23,247,814,278   |                        |
|  |                  | 159,241,475,705        |
| Deduct:  |                  |                        |
| Payables to contractors                              | (23,082,641,775) |                        |
| Foreign exchange differences due to payment (Note 8) | (387,125,701)    |                        |
|  |                  | (23,469,767,476)       |
| <b>Disbursements accumulated to closing</b>          |                  | <b>455,428,673,876</b> |

**10. Corresponding figures**

The corresponding figures are the financial statements for the year ended 31 December 2017 which were audited by AASC Limited, in which the following items have been reclassified as follows:

| Financial statements for the year end 31/12/2017 |                  |                    |                  |
|--|------------------|--------------------|------------------|
| Items  | Presented<br>VND | Represented<br>VND | Variances<br>VND |
| <b>STATEMENT OF RECEIPTS AND DISBURSEMENTS</b>   |                  |                    |                  |
| Disbursement for Consulting Services             | 27,451,244,922   | 26,006,980,116     | (1,444,264,806)  |
| Disbursement for Project management costs        | 3,918,041,915    | 3,721,271,167      | (196,770,748)    |
| Disbursement for Others                          | 4,507,444,785    | 6,148,480,339      | 1,641,035,554    |

**11. Subsequent events**

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

**12. Approval of the Financial Statements**

The financial statements were approved by Project Management Unit for issuance on 15 June 2019.



**Tran Viet Cuong**  
Director

**Nguyen Minh Ngoc**  
Chief Accountant

**Nguyen The Kien**  
Preparer

Hai Phong, 15 June 2019