

Audited Project Financial Statements

Project Number: 41456-043

Loan Number: 3251

Period covered: 1 January 2021 – 31 December 2021

Viet Nam: Water Sector Investment Program – Tranche 3

Prepared by TWACO

For the Asian Development Bank

Date received by ADB: 1 July 2022

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**THAI NGUYEN CITY WATER SUPPLY SYSTEM
DEVELOPMENT PROJECT**

Loan Agreement No. 3251 – VIE

AUDITED FINANCIAL STATEMENTS
Fiscal year ended 31 December 2021



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REPORT OF THE PROJECT MANAGEMENT UNIT

The Management Unit of Construction Project of Thai Nguyen Water JSC ("the Project Management Unit") presents this report and the Financial Statements of Thai Nguyen City Water Supply System Development Project ("the Project") for the fiscal year ended 31 December 2021.

The Project

Thai Nguyen City Water Supply System Development Project is implemented under the Loan Agreement No. 3251 – VIE dated 19 November 2015 ("the Agreement") between the Vietnamese Government and the Asian Development Bank ("ADB").

The Project Management Unit

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

Mr. Le Huy Phu	Director
Mr. Dao Manh Truong	Accountant in-charge (Appointed on 02/11/2021)

Auditors

The auditors of AASC Limited have taken the audit of the 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 Expenditures, Statement of Advance Account, Statement of Withdrawals and Reconciliation of Funds, 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 addition, 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. 3251 – VIE dated 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 the replenishment requests submitted to the Asian Development Bank. The expenditures are eligible and in right purposes of the Loan Agreement No. 3251 – VIE dated 19 November 2015.

On behalf of the Project Management Unit



Le Huy Phu
Director



Thai Nguyen, 03 June 2022



Thai Nguyen Water JSC



Nguyen Quang Mai
Chairman of the Board of Management

Thai Nguyen, 03 June 2022

No.: 030622.005/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: The Management Unit of Construction Project

Opinion

We have audited the accompanying financial statements of Thai Nguyen City Water Supply System Development Project ("the Project") which comprise Statement of Financial Position as at 31 December 2021, Statement of Receipts and Disbursements, Statement of Budget versus Actual Expenditures, Statement of Advance Account, Statement of Withdrawals and Reconciliation of Funds, and Notes to the Financial Statements for the year ended then ended, including a summary of significant accounting policies.

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 2021, 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. 3251 – VIE dated 19 November 2015.

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.



Do Manh Cuong
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.:
2893-2020-002-1

Hanoi, 03 June 2022

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31/12/2021 VND	31/12/2020 VND
CURRENT ASSETS		77,553,807,933	106,711,820,069
Cash on hand		100,000,000	-
Cash at bank	03	2,140,483,741	4,915,897,410
Other receivables		308,095,916	533,637
Deductible Value added tax		24,091,148,012	3,886,370,832
Advances to contractors	04	50,914,080,264	97,909,018,190
NON-CURRENT ASSETS		267,215,507,661	57,715,524,456
Project Implementation Expenditures	07	267,215,507,661	57,715,524,456
TOTAL ASSETS		344,769,315,594	164,427,344,525
CURRENT LIABILITIES		96,241,794,204	27,445,707,215
Payables to contractors	05	95,841,794,204	27,445,707,215
Other payables		400,000,000	-
FUNDS		248,527,521,390	136,981,637,310
Project Implementation Funds		248,618,742,180	137,015,788,358
- The Asian Development Bank	06	208,581,926,596	108,773,749,378
- Thai Nguyen Water JSC		39,758,841,584	27,964,064,980
- Others		277,974,000	277,974,000
Foreign exchange differences		(91,220,790)	(34,151,048)
TOTAL RESOURCES		344,769,315,594	164,427,344,525

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Year ended 31 December 2021

	Note	Accumulated to 31/12/2020 VND	Year 2021 VND	Accumulated to 31/12/2021 VND
RECEIPTS				
Received from the Asian Development Bank	06	108,773,749,378	99,808,177,218	208,581,926,596
Received from Thai Nguyen Water JSC		27,964,064,980	11,794,776,604	39,758,841,584
Others (*)		277,974,000	-	277,974,000
		137,015,788,358	111,602,953,822	248,618,742,180
DISBURSEMENTS				
Civil Works		102,982,619,490	103,766,974,473	206,749,593,963
Resettlement and Land Acquisition		10,814,040,187	3,717,917,153	14,531,957,340
Consulting Services		10,415,455,454	3,551,286,069	13,966,741,523
Interest charges and commitment fees		4,521,374,841	1,793,601,694	6,314,976,535
Project management		2,161,186,285	887,847,900	3,049,034,185
Others		1,170,530,006	596,108,181	1,766,638,187
	08	132,065,206,263	114,313,735,470	246,378,941,733
FOREIGN EXCHANGE DIFFERENCES		(34,151,048)	(57,069,742)	(91,220,790)
RECONCILIATION AS AT CLOSING		4,916,431,047	(2,767,851,390)	2,148,579,657
<i>Presented by:</i>				
Cash on hand		-		100,000,000
Cash at bank	03	4,915,897,410		2,140,483,741
Other receivables		533,637		308,095,916
Other payables		-		(400,000,000)
		4,916,431,047		2,148,579,657

(*) The proceeds from sale of bidding documents.

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES
Year ended 31 December 2021

Categories	Budget expenditures (*)			Actual expenditures			Variance			Rate
	Loan	Counterpart	Total	Loan	Counterpart	Total	Loan	Counterpart	Total	
	No. 3251-VIE VND	funds VND		No. 3251-VIE VND	funds VND		No. 3251-VIE VND	funds VND		
Civil Works	198,000,000,000	-	198,000,000,000	196,835,715,369	-	196,835,715,369	(1,164,284,631)	-	(1,164,284,631)	99.41%
Resettlement and Land Acquisition	-	3,800,000,000	3,800,000,000	-	3,717,917,153	3,717,917,153	-	(82,082,847)	(82,082,847)	97.84%
Consulting Services	5,363,000,000	355,105,000	5,718,105,000	5,298,170,629	354,195,909	5,652,366,538	(64,829,371)	(909,091)	(65,738,462)	98.85%
Interest charges and commitment fees	2,000,000,000	-	2,000,000,000	1,793,601,694	-	1,793,601,694	(206,398,306)	-	(206,398,306)	89.68%
Project management	-	900,000,000	900,000,000	-	886,994,963	886,994,963	-	(13,005,037)	(13,005,037)	98.55%
Others	-	638,000,000	638,000,000	-	613,387,488	613,387,488	-	(24,612,512)	(24,612,512)	96.14%
	205,363,000,000	5,693,105,000	211,056,105,000	203,927,487,692	5,572,495,513	209,499,983,205	(1,435,512,308)	(120,609,487)	(1,556,121,795)	99.26%

(*) Budget expenditures of the audited period (excluding expenditures by other funds) was prepared based upon the Project Management Unit's estimate and the Project's implementation progress.

STATEMENT OF ADVANCE ACCOUNT

For the period: from 01/01/2021 to 31/12/2021
Account No: 1013980116
Serving bank: Saigon – Hanoi Commercial Joint Stock Bank - Thai Nguyen Branch
Address: No. 2, Minh Cau street, Phan Dinh Phung Ward, Thai Nguyen City,
Thai Nguyen
Loan Agreement No.: 3251-VIE

	Note	USD	USD
PART A: ACTIVITIES			
Opening balance			213,734.67
Deduct: Total amounts withdrawn			(119,357.08)
Closing balance			<u>94,377.59</u>
PART B: RECONCILIATION			
1. Amount advanced by the ADB			219,438.33
2. Deduct: Amount recovered by the ADB			<u>(2,717.53)</u>
3. Present outstanding amount advanced to			<u>216,720.80</u>
4. Closing balance of the Advance Account			94,377.59
5. Add:			
- Amounts withdrawn but not yet claimed	(i)	121,970.53	
- Bank charge		<u>372.68</u>	
			122,343.21
6. Total advances accounted for			<u>216,720.80</u>
(i) Paid for consulting services.			

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS
Year ended 31 December 2021

Withdrawal applications			Claimed				Received		Variances	Note
No.	Date	Currency	Advance	Consulting services	Works	Total	Date	Amount		
						(a)		(b)	(a) - (b)	
Advance Account										
TN007	25/01/2021	USD	-	2,717.53	-	2,717.53		-	2,717.53	
Direct Payment										
TN006	25/01/2021	VND	-	-	20,243,559,490	20,243,559,490	05/02/2021	20,243,559,490	-	
TN008	07/05/2021	VND	-	-	20,284,222,069	20,284,222,069	25/05/2021	20,284,222,069	-	
TN009	01/10/2021	VND	-	-	31,487,654,481	31,487,654,481	19/10/2021	31,487,654,481	-	
TN010	22/09/2021	VND	-	-	25,999,139,484	25,999,139,484	15/10/2021	25,999,139,484	-	
Total in USD			-	2,717.53	-	2,717.53		-	2,717.53	(i)
Total in VND			-	-	98,014,575,524	98,014,575,524		98,014,575,524	-	

(i) Amount recovered by the ADB

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

1. Background

Thai Nguyen City Water Supply System Development Project ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program – Project 3 ("the Program") implemented under the Loan Agreement No. 3251 – VIE dated 19 November 2015 ("the Agreement") between the Vietnamese Government and the Asian Development Bank ("ADB").

Total budget of the Loan under the Agreement No. 3251 – VIE is USD 142,500,000 for 7 projects in 5 provinces. Thai Nguyen Water JSC is entitled to borrow USD 24,890,000 to implement the Project.

The objective of the Program is the improved efficiency of participating water supply companies. In which, the Project aims to supply clean water sufficiently and timely to ensure the quantity and quality for those who have demand for water use, local people in 19 inner towns and suburban communes of Thai Nguyen city; upgrade water supply services, ensuring safe water and sustainable development by improving clean water production capacity, developing water supply networks, expanding the water supply system of the whole system to improve living conditions and health of people in Thai Nguyen city.

The main activities of the Project under the Loan Agreement No. 3251 – VIE dated 19 November 2015 include:

- Constructing an intake, pumping station and D800 raw water pipeline, and ancillary works;
- Constructing of a Water Treatment Plants with capacity of about 50,000 m³/day and ancillary works;
- Constructing of a 20,000 m³ reservoir, pumping stations, chemical houses, and ancillary works;
- Constructing of DN200 - DN800 transmission pipes, D110 - D225 distribution pipes, D50 – D63 service pipes;
- Supply and installation of about 5,713 household connections.

The Project officially came into operation on 29 March 2016 and is expected to be closed on 30 June 2022 according to Decision 556/QĐ-TTg dated 06 May 2022 by Vietnam's Prime Minister and the ADB's Letter of approval of loan extension dated 14 December 2020.

The Project is managed by the Management Unit of Construction Project ("the PMU"), one of Thai Nguyen Water JSC's units, and its office is located at Group 1 Ben Oanh Street, Trung Vuong Ward, Thai Nguyen City.

2. Principal Accounting Policies

a. Basis of accounting

The annual accounting period commences from 1st January and ends at 31st December.

The financial statements are prepared under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards, 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 Statements of Advance Account, Statement of Withdrawals and Reconciliation of Funds which are prepared in United State Dollar (USD).

The 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 currencies are converted to VND using exchange rates announced by the Ministry of Finance at receipt dates or dates of direct payment made to contractors/suppliers.

Other transactions in foreign currencies are converted to VND under actual exchange rates of the Saigon – Hanoi Commercial Joint Stock Bank or exchange rates of the State bank on their transaction dates. All exchange differences from these transactions are recorded as "Exchange rate differences" account and presented as "Exchange rate differences" on the 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 Vietnam Development Bank ("VDB") – Thai Nguyen branch (twice per year). In case of not receiving announcement of the VDB, interest charges and commitment fees are capitalized according to estimates of Thai Nguyen Water JSC;

➤ Counterpart funds received from Thai Nguyen 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:

➤ The Project's expenditures, excluding value added tax ("VAT"), 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 Thai Nguyen Water JSC;

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

d. Advance Account

Advance Account is the deposit account in USD opened at the Saigon – Hanoi Commercial Joint Stock 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 the Loan Agreement No. 3251 – VIE dated 19 November 2015.

3. Cash at bank

	31/12/2021	31/12/2020
	VND	VND
Advance Account (USD)	2,140,483,741	4,915,897,410
	<u>2,140,483,741</u>	<u>4,915,897,410</u>

4. Advance to contractors

	31/12/2021 VND	31/12/2020 VND
Civil Work		
The Joint Venture of Hai Duong Irrigation Construction JSC	28,562,928,712	51,118,656,628
- Minh Thong Co.,Ltd - Pump Euro JSC		
The Joint Venture of Vietnam Road and Bridge	21,924,281,462	45,501,701,308
Construction Consulting JSC - Vietnam Water and		
Environment Investment Corporation - JSC		
Consulting Services		
In association with Anycon Project Consulting Ltd and	426,870,090	1,261,660,254
Watech Construction Consulting JSC		
Others	-	27,000,000
	50,914,080,264	97,909,018,190

5. Payable to contractors

	31/12/2021 VND	31/12/2020 VND
Civil Work		
The Joint Venture of Hai Duong Irrigation Construction JSC	38,704,096,415	25,449,046,216
- Minh Thong Co.,Ltd - Pump Euro JSC		
The Joint Venture of Vietnam Road and Bridge	53,364,114,472	-
Construction Consulting JSC - Vietnam Water and		
Environment Investment Corporation - JSC		
Consulting Services		
In association with Anycon Project Consulting Ltd and	2,195,644,818	-
Watech Construction Consulting JSC		
Duong Thanh Water and Contruction JSC	809,889,000	1,309,889,000
Others	764,495,499	683,217,999
Others		
Thai Nguyen Department of Finance	3,554,000	3,554,000
	95,841,794,204	27,445,707,215

6. Funds received from the Asian Development Bank

	Year 2021		Accumulated to 31/12/2021	
	USD	Converted to VND	USD	Converted to VND
Loan Agreement No.	4,354,743.29	99,808,177,218	9,050,416.35	208,581,926,596
3251 – VIE				
Advance Account	-	-	273,592.17	6,340,755,047
Advance	-	-	273,592.17	6,340,755,047
Direct payments	4,277,362.74	98,014,575,524	8,500,447.18	195,926,195,014
Capitalization of interest	77,380.55	1,793,601,694	276,377.00	6,314,976,535
charges and commitment fees				
		99,808,177,218		208,581,926,596

7. Project Implementation Expenditures

	Year 2021				Accumulated to 31/12/2021			
	Loan	Counterpart	Other	Total	Loan	Counterpart	Other	Total
	No. 3251 - VIE	funds			No. 3251 - VIE	funds		
	VND	VND	VND	VND	VND	VND	VND	VND
Civil Works	196,835,715,369	-	-	196,835,715,369	225,755,086,069	-	-	225,755,086,069
Resettlement and Land Acquisition	-	3,717,917,153	-	3,717,917,153	-	14,523,436,980	-	14,523,436,980
Consulting Services (*)	5,298,170,629	354,195,909	-	5,652,366,538	5,423,720,629	10,404,993,364	-	15,828,713,993
Interest charges and commitment fees	1,793,601,694	-	-	1,793,601,694	6,314,976,535	-	-	6,314,976,535
Project management (*)	-	886,994,963	-	886,994,963	-	3,033,319,423	-	3,033,319,423
Others (*) (**)	-	613,387,488	-	613,387,488	-	1,482,000,661	277,974,000	1,759,974,661
	203,927,487,692	5,572,495,513	-	209,499,983,205	237,493,783,233	29,443,750,428	277,974,000	267,215,507,661

(*) Including VND 423,950,847 financed by the counterpart fund arising before the effective date of the Loan Agreement.

(**) Including cost of on-lending, procurement, investment project appraisal, approval of detail planning... which are financed by the counterpart fund and other funds.

8. Disbursements

a. Disbursements by categories and by funds

	Year 2021				Accumulated to 31/12/2021			
	Loan	Counterpart	Other	Total	Loan	Counterpart	Other	Total
	No. 3251 - VIE VND	funds VND			No. 3251 - VIE VND	funds VND		
Civil Works	98,014,575,524	5,752,398,949	-	103,766,974,473	195,926,195,014	10,823,398,949	-	206,749,593,963
Resettlement and Land Acquisition	-	3,717,917,153	-	3,717,917,153	-	14,531,957,340	-	14,531,957,340
Consulting Services	2,713,277,767	838,008,302	-	3,551,286,069	4,100,488,021	9,866,253,502	-	13,966,741,523
Interest charges and commitment fees	1,793,601,694	-	-	1,793,601,694	6,314,976,535	-	-	6,314,976,535
Project management	-	887,847,900	-	887,847,900	-	3,049,034,185	-	3,049,034,185
Others (Note 7)	5,066,160	591,042,021	-	596,108,181	8,562,495	1,480,101,692	277,974,000	1,766,638,187
	102,526,521,145	11,787,214,325	-	114,313,735,470	206,350,222,065	39,750,745,668	277,974,000	246,378,941,733

Disbursements financed under the Loan Agreement No. 3251 – VIE dated 19 November 2015 are as below:

Categories	Funding rate (%) (*)
Works	100.00%
Consulting Services	100.00%
Interest charges and commitment fees	100.00%

(*) Excluding tax.

b. Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements as at 31/12/2021

	VND	VND
Project Implementation Expenditures		267,215,507,661
Add:		
Advances to contractors	50,914,080,264	
Deductible Value added tax	<u>24,091,148,012</u>	
		75,005,228,276
Deduct:		
Payables to contractors		(95,841,794,204)
Disbursements accumulated to closing		<u>246,378,941,733</u>

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 financial statements.

10. Corresponding figures

The corresponding figures are the financial statements for the year ended 31 December 2020 which were audited by AASC Limited.

11. Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 03 June 2022.



Le Huy Phu
Director

Thai Nguyen, 03 June 2022



Dao Manh Truong
Accountant in-charge



Thai Nguyen Water JSC

Nguyen Quang Mai
Chairman of the Board of Management

Thai Nguyen, 03 June 2022