

Audited Project Financial Statements

Project Number: 41456-043
Loan/Grant Number: 3251
Period covered: 1 January 2019 – 31 December 2019

VIE: Water Sector Investment Program – Tranche 3

Prepared by TWACO

For the Asian Development Bank
Date received by ADB: 26 June 2020

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 Thai Nguyen PPC.

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

Loans Agreement No. 2961 – VIE and 3251 – VIE

AUDITED FINANCIAL STATEMENTS
Fiscal year ended 31 December 2019



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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 2019.

The Project

Thai Nguyen City Water Supply System Development Project is implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 and the Loan Agreement No. 3251 – VIE dated 19 November 2015 ("the Agreements") 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. Nguyen Ba Quyet | Director | (Resigned on 01/02/2020) |
| Mr. Le Huy Phu | Director | (Appointed on 01/02/2020) |
| Mrs. Pham Thi Thanh Ngan | Deputy Director – Chief Accountant | |

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 Disbursements, 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. 2961 - VIE dated 23 May 2013 and 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 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 and the Loan Agreement No. 3251 – VIE dated 19 November 2015.

On behalf of the Project Management Unit



Le Huy Phu
Director

Thai Nguyen, 30 May 2020



Nguyen Quang Mai
Chairman of the Board of Members

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 2019, 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 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 2019, 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 and 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.



AASC Limited

Do Manh Cuong

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

Hanoi, 30 May 2020

Nguyen Pham Hung

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

| | Note | 31/12/2019 | | 31/12/2018 | |
|-------------------------------------|------|--------------------|-----------------------|--------------------|-----------------------|
| | | Loan | Loan | Loan | Loan |
| | | No. 2961-VIE | No. 3251-VIE | No. 2961-VIE | No. 3251-VIE |
| | | VND | VND | VND | VND |
| CURRENT ASSETS | | | | | |
| Cash on hand | | - | 3,551,221,197 | - | 2,368,924,184 |
| Cash at bank | | - | 3,641,140 | - | 12,000,000 |
| Other receivables | 03 | - | 2,640,823,147 | - | - |
| Deductible Value added tax | | - | 534,408 | - | 533,637 |
| Advances to contractors | 04 | - | 799,822,502 | - | 406,390,547 |
| | | - | 106,400,000 | - | 1,950,000,000 |
| NON-CURRENT ASSETS | | | | | |
| Project Implementation Expenditures | 07 | 117,616,887 | 13,739,036,321 | 100,743,288 | 7,655,275,691 |
| | | 117,616,887 | 13,739,036,321 | 100,743,288 | 7,655,275,691 |
| TOTAL ASSETS | | 117,616,887 | 17,290,257,518 | 100,743,288 | 10,024,199,875 |
| CURRENT LIABILITIES | | | | | |
| Payables to contractors | 05 | - | 1,877,339,181 | - | 922,171,999 |
| | | - | 1,877,339,181 | - | 922,171,999 |
| FUNDS | | | | | |
| Project Implementation Funds | | 117,616,887 | 15,412,918,337 | 100,743,288 | 9,102,027,876 |
| - The Asian Development Bank | 06 | 117,616,887 | 15,413,287,603 | 100,743,288 | 9,102,027,876 |
| - Thai Nguyen Water JSC | | 116,598,663 | 6,098,374,762 | 100,044,900 | 1,967,452,228 |
| - Others | | 1,018,224 | 9,054,918,841 | 698,388 | 7,122,575,648 |
| Foreign exchange differences | | - | 259,994,000 | - | 12,000,000 |
| | | - | (369,266) | - | - |
| TOTAL RESOURCES | | 117,616,887 | 17,290,257,518 | 100,743,288 | 10,024,199,875 |

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Year ended 31 December 2019

| Note | Accumulated to 31/12/2018 | | Year 2019 | | Accumulated to 31/12/2019 | |
|--|---------------------------|----------------------|----------------------|----------------------|---------------------------|-----------------------|
| | Loan No. 2961-VIE | Loan VND | Loan No. 2961-VIE | Loan VND | Loan No. 2961-VIE | Loan VND |
| | | | | | | |
| RECEIPTS | | | | | | |
| Received from the Asian Development Bank | 100,044,900 | 1,967,452,228 | 16,553,763 | 4,130,922,534 | 116,598,663 | 6,098,374,762 |
| Received from Thai Nguyen Water JSC | 698,388 | 7,122,575,648 | 319,836 | 1,932,343,193 | 1,018,224 | 9,054,918,841 |
| Others (*) | - | 12,000,000 | - | 247,994,000 | - | 259,994,000 |
| | 100,743,288 | 9,102,027,876 | 16,873,599 | 6,311,259,727 | 117,616,887 | 15,413,287,603 |
| DISBURSEMENTS | | | | | | |
| Resettlement and Land Acquisition | - | 179,333,000 | - | - | - | 179,333,000 |
| Consulting Services | - | 5,755,544,200 | - | 1,940,852,500 | - | 7,696,396,700 |
| Interest charges and commitment fees | 100,044,900 | 1,967,452,228 | 16,553,763 | 1,425,458,286 | 116,598,663 | 3,392,910,514 |
| Project management | - | 1,058,159,200 | - | 6,887,000 | - | 1,065,046,200 |
| Others | 698,388 | 129,005,611 | 319,836 | 305,227,617 | 1,018,224 | 434,233,228 |
| | 100,743,288 | 9,089,494,239 | 16,873,599 | 3,678,425,403 | 117,616,887 | 12,767,919,642 |
| FOREIGN EXCHANGE DIFFERENCES | - | - | - | - | - | (369,266) |
| RECONCILIATION AS AT CLOSING | - | 12,533,637 | - | 2,632,834,324 | - | 2,644,998,695 |
| <i>Presented by:</i> | | | | | | |
| Cash on hand | - | 12,000,000 | - | - | - | 3,641,140 |
| Cash at bank | - | - | - | - | - | 2,640,823,147 |
| Other receivables | - | 533,637 | - | - | - | 534,408 |
| | - | 12,533,637 | - | - | - | 2,644,998,695 |

(*) The proceeds from sale of bidding documents.

STATEMENT OF BUDGET VERSUS ACTUAL DISBURSEMENTS
Year ended 31 December 2019

| Categories | Budget Disbursements (*) | | | | Actual Disbursements | | | | Variance | | | |
|---|-----------------------------|-----------------------------|-----------------------------|----------------|-----------------------------|-----------------------------|-----------------------------|---------------|-----------------------------|-----------------------------|-----------------------------|------------------------|
| | Loan No. 2961-VIE VND | Loan No. 3251-VIE VND | Counterpart funds VND | Total VND | Loan No. 2961-VIE VND | Loan No. 3251-VIE VND | Counterpart funds VND | Total VND | Loan No. 2961-VIE VND | Loan No. 3251-VIE VND | Counterpart funds VND | Total Rate VND |
| Civil Works | - | - | 18,404,677,748 | 18,404,677,748 | - | - | - | - | - | - | (18,404,677,748) | (18,404,677,748) 0% |
| Equipment | - | - | 1,578,542,823 | 1,578,542,823 | - | - | - | - | - | - | (1,578,542,823) | (1,578,542,823) 0% |
| Resettlement and Land Acquisition | - | - | 19,332,800,000 | 19,332,800,000 | - | - | - | - | - | - | (19,332,800,000) | (19,332,800,000) 0% |
| Consulting Services | - | 2,700,314,072 | 7,922,143,439 | 10,622,457,511 | - | 62,775,000 | 1,878,077,500 | 1,940,852,500 | - | (2,637,539,072) | (6,044,065,939) | (8,681,605,011) 18.3% |
| Interest charges and commitment fees | 16,553,763 | 1,425,458,286 | - | 1,442,012,049 | 16,553,763 | 1,425,458,286 | - | 1,442,012,049 | - | - | - | - 100% |
| Project management | - | - | 1,427,785,074 | 1,427,785,074 | - | - | 6,887,000 | 6,887,000 | - | - | (1,420,898,074) | (1,420,898,074) 0.48% |
| Others | - | - | 5,761,453,497 | 5,761,453,497 | - | - | 305,547,453 | 305,547,453 | - | - | (5,455,906,044) | (5,455,906,044) 5.30% |
| | 16,553,763 | 4,125,772,358 | 54,427,402,581 | 58,559,728,702 | 16,553,763 | 1,488,233,286 | 2,190,511,953 | 3,685,299,002 | - | (2,637,539,072) | (52,236,890,628) | (54,874,429,700) 5.31% |

(*) Budget disbursement of the audited period was prepared based upon the Project Management Unit's estimate and the Project's implementation progress.

STATEMENT OF ADVANCE ACCOUNT

For the period: from 01/01/2019 to 31/12/2019
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
Agreement No.: 3251-VIE

| | Note | USD | USD |
|---|------|--------------|-------------------|
| PART A: ACTIVITIES | | | |
| Opening balance | | | - |
| Add: Total amounts deposited by the ADB | | | 117,053.79 |
| Deduct: Total amounts withdrawn | | | (2,781.91) |
| Closing balance | | | <u>114,271.88</u> |
| PART B: RECONCILIATION | | | |
| 1. Amount advanced by the ADB | | | 117,053.79 |
| 2. Add: Amount supplemented by the ADB | | | - |
| 3. Present outstanding amount advanced to | | | <u>117,053.79</u> |
| 4. Closing balance of the Advance Account | | | 114,271.88 |
| 5. Add: | | | |
| - Amounts withdrawn but not yet claimed | (i) | 2,717.53 | |
| - Bank charge | | <u>64.38</u> | |
| | | | 2,781.91 |
| 6. Total advances accounted for | | | <u>117,053.79</u> |
| (i) Paid for consulting services | | | |

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS

Loans Agreement No. 3251 - VIE

Year ended 31 December 2019

| Withdrawal applications | | | Claimed | Received | | Variances (a) - (b) | Note |
|-------------------------|------------|----------|----------------|------------|---------------|------------------------|------|
| Number | Date | Currency | Advance (a) | Date | Amount (b) | | |
| Advance Account | | | | | | | |
| TN001 | 30/08/2019 | USD | 117,053.79 | 27/09/2019 | 117,053.79 | - | |
| Total in USD | | | 117,053.79 | | 117,053.79 | - | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2 ("the Program") implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 ("the Agreement") and 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. 2961 – VIE 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. Thai Nguyen Water JSC is entitled to borrow USD 610,000 to implement the Project. 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 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: supplying 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; upgrading 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 about 0.17 km D800 raw water pipeline, and ancillary works;
- ▶ Constructing new Water Treatment Plants with capacity of about 50,000 m³/day each and ancillary works;
- ▶ Constructing two treated water tanks (2 x 5,000 m³), pumping stations, chemical houses, and ancillary works;
- ▶ Constructing about 22 km of D300-800 transmission, about 20 km of D100-200 distribution pipes, about 62 km D50 service network pipeline;
- ▶ Supplying and installing about 4,134 household connections

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 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 first accounting period is from 18 September 2013 to 31 December 2018 (in which, the Loan Agreement No. 2961 – VIE is from 18 September 2013 to 01 December 2018).

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 and Statement of Withdrawals 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 translated into 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 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

| | 31/12/2019 | 31/12/2018 |
|-----------------------|----------------------|------------|
| | VND | VND |
| Advance Account (USD) | 2,640,823,147 | - |
| | <u>2,640,823,147</u> | <u>-</u> |

4. Advance to contractors

| | 31/12/2019 | 31/12/2018 |
|--|--------------------|----------------------|
| | VND | VND |
| Consulting Services | | |
| Duong Thanh Water and Construction JSC | - | 1,950,000,000 |
| TAC Architecture Consulting JSC | 106,400,000 | - |
| | <u>106,400,000</u> | <u>1,950,000,000</u> |

5. Payable to contractors

| | 31/12/2019 | 31/12/2018 |
|--|----------------------|--------------------|
| | VND | VND |
| Consulting Services | | |
| Viet Nam Water, Sanitation and Environment JSC | 538,035,999 | 538,035,999 |
| Thai Nguyen Institute of Construction planning | - | 235,400,000 |
| Construction and Development Consultants Thai Nguyen JSC | 145,182,000 | 145,182,000 |
| Duong Thanh Water and Construction JSC | 737,008,000 | - |
| TAC Architecture Consulting JSC | 453,559,182 | - |
| Others | | |
| Thai Nguyen Department of Finance | 3,554,000 | 3,554,000 |
| | <u>1,877,339,181</u> | <u>922,171,999</u> |

6. Funds received from the Asian Development Bank

| | Year 2019 | | Accumulated to 31/12/2019 | |
|--|-------------------|----------------------|---------------------------|----------------------|
| | USD | Converted to VND | USD | VND |
| Loan Agreement No. 2961 – VIE | 725.08 | 16,553,763 | 5,302.45 | 116,598,663 |
| Capitalization of interest charges and commitment fees | 725.08 | 16,553,763 | 5,302.45 | 116,598,663 |
| Loan Agreement No. 3251 – VIE | 179,243.06 | 4,130,922,534 | 267,446.10 | 6,098,374,762 |
| Advance Account | 117,053.79 | 2,705,464,248 | 117,053.79 | 2,705,464,248 |
| Advance | 117,053.79 | 2,705,464,248 | 117,053.79 | 2,705,464,248 |
| Capitalization of interest charges and commitment fees | 62,189.27 | 1,425,458,286 | 150,392.31 | 3,392,910,514 |
| | | <u>4,147,476,297</u> | | <u>6,214,973,425</u> |

According to Official Letter No. 14890/BTC-QLN dated 28 November 2018, the amount invested in the sub-project of the Vietnam Water Sector Investment Program – Project 2, the Loan Agreement No. 2961 – VIE of Thai Nguyen City Water Supply System Development Project has been cancelled since 01 December 2018.

Thai Nguyen City Water Supply System Development Project
Loans Agreement No. 2961 – VIE and 3251 – VIE

Financial Statements
Year ended 31 December 2019

7. Project Implementation Expenditures

| | Year 2019 | | | | Accumulated to 31/12/2019 | | | |
|--------------------------------------|-------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|-----------------------|-----------------------|
| | Loan | | Counterpart | | Loan | | Counterpart | |
| | No. 2961 - VIE | No. 3251 - VIE | No. 2961 - VIE | No. 3251 - VIE | No. 2961 - VIE | No. 3251 - VIE | funds | Total |
| | VND | VND | VND | VND | VND | VND | VND | VND |
| Resettlement and Land Acquisition | - | - | - | - | - | - | 170,812,640 | 170,812,640 |
| Consulting Services (*) | - | 62,775,000 | 4,283,412,727 | 4,346,187,727 | - | 62,775,000 | 8,620,905,637 | 8,683,680,637 |
| Interest charges and commitment fees | 16,553,763 | 1,425,458,286 | - | 1,442,012,049 | 116,598,663 | 3,392,910,514 | - | 3,509,509,177 |
| Project management (*) | - | - | 6,887,000 | 6,887,000 | - | - | 1,053,907,302 | 1,053,907,302 |
| Others (*) (**) | - | - | 305,547,453 | 305,547,453 | - | - | 438,743,452 | 438,743,452 |
| | 16,553,763 | 1,488,233,286 | 4,595,847,180 | 6,100,634,229 | 116,598,663 | 3,455,685,514 | 10,284,369,031 | 13,856,653,208 |

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

(**) Including borrowing cost, cost of bidding, investment project appraisal, approval of detail urban planning... which are financed by the counterpart fund.

8. Disbursements

a. Disbursements by categories and by funds

| | Year 2019 | | | | Accumulated to 31/12/2019 | | | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|---------------------------|-----------------------|----------------------|-----------------------|
| | Loan | | Counterpart funds | | Loan | | Counterpart funds | |
| | No. 2961 - VIE VND | No. 3251 - VIE VND | No. 2961 - VIE VND | Total VND | No. 2961 - VIE VND | No. 3251 - VIE VND | Total VND | Total VND |
| Resettlement and Land Acquisition | - | - | - | - | - | - | 179,333,000 | 179,333,000 |
| Consulting Services | - | 62,775,000 | 1,878,077,500 | 1,940,852,500 | - | 62,775,000 | 7,633,621,700 | 7,696,396,700 |
| Interest charges and commitment fees | 16,553,763 | 1,425,458,286 | - | 1,442,012,049 | 116,598,663 | 3,392,910,514 | - | 3,509,509,177 |
| Project management | - | - | 6,887,000 | 6,887,000 | - | - | 1,065,046,200 | 1,065,046,200 |
| Others (Note 7) | - | - | 305,547,453 | 305,547,453 | - | - | 435,251,452 | 435,251,452 |
| | 16,553,763 | 1,488,233,286 | 2,190,511,953 | 3,695,299,002 | 116,598,663 | 3,455,685,514 | 9,313,252,352 | 12,885,536,529 |

Disbursements financed under the Loan Agreement No. 2961 –VIE dated 23 May 2013 and 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% |

(*) Excluded tax.

b. Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements as at 31/12/2019

| | VND | VND |
|---|--------------------|------------------------------|
| Project Implementation Expenditures | | 13,856,653,208 |
| Add: | | |
| Advances to contractors | 106,400,000 | |
| Deductible Value added tax | <u>799,822,502</u> | |
| | | 906,222,502 |
| Deduct: | | |
| Payables to contractors | | (1,877,339,181) |
| Disbursements accumulated to closing | | <u>12,885,536,529</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 period from 18 September 2013 to 31 December 2018 which were audited by AASC Limited Company.

11. Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 30 May 2020.



Le Huy Phu
Director

Thai Nguyen, 30 May 2020



Nguyen Quang Mai
Chairman of the Board of Directors

Pham Thi Thanh Ngan
Chief Accountant