

Ho Chi Minh City Power Corporation Distribution Efficiency Project

Financing Agreement No. 5156-VN

Audited financial statements
For the year ended 31 December 2018



Ho Chi Minh City Power Corporation Distribution Efficiency Project

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PART I

FINANCIAL STATEMENTS

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

REPORT OF THE MANAGEMENT

The Management of Ho Chi Minh City Power Corporation (“the Corporation”) presents this report together with the financial statements of the Distribution Efficiency Project - Financing Agreement No. 5156-VN – Portion implemented by the Corporation (“the Project”) for the year ended 31 December 2018.

THE MANAGEMENT

The members of the Management during the year and at the date of this report are:

| | |
|--------------------------|-------------------------|
| Mr. Pham Quoc Bao | General Director |
| Mr. Nguyen Van Ly | Deputy General Director |
| Mr. Tran Khiem Tuan | Deputy General Director |
| Mr. Nguyen Duy Quoc Viet | Deputy General Director |
| Mr. Nguyen Van Thanh | Deputy General Director |

MANAGEMENT’S STATEMENT RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS OF THE PROJECT

The Management is responsible for preparing the financial statements of the Project, which comprise the balance sheet as at 31 December 2018, the statements of sources and uses of funds, statement of designated account, and the notes to the financial statements, which give a true and fair view of the financial position of the Project as at 31 December 2018 as well as its receipts, disbursements and expenditures for the year then ended, in accordance with the accounting policies set out in Note 3 of the notes to the financial statements and the Project Financial Management Manual. In preparing these financial statements, the Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements, and
- ▶ design and maintain effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimise errors and frauds; and take responsibility for its assertions as to the effectiveness of such internal control.

The Management is responsible for:

- ▶ ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Project and that the financial statements comply with the accounting policies set out in Note 3 of the notes to the financial statements;
- ▶ using the Project’s funds as intended for the Project and complying with the Project Financial Management Manual as well as laws and regulations applicable to the Project; and
- ▶ safeguarding the assets of the Project and hence taking reasonable steps for the prevention and detection of frauds and other irregularities.

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

REPORT OF THE MANAGEMENT (continued)

The Management confirms that they have complied with the above requirements in preparing these financial statements.

For and on behalf of the Management:



Phạm Quốc Bảo
General Director

26 June 2019

Reference: 61261031/20264413/WB-5156

INDEPENDENT AUDITORS' REPORT

To: The Management of Ho Chi Minh City Power Corporation

Report on the Audit of the financial statements

Opinion

We have audited the accompanying financial statements of the Distribution Efficiency Project - Financing Agreement No. 5156-VN – Portion implemented by Ho Chi Minh City Power Corporation (“the Corporation”) (“the Project”) prepared on 26 June 2019, as set out from page 5 to page 15, which comprise the balance sheet as at 31 December 2018, the statement of sources and uses of funds, statement of designated account, and the notes thereto. The financial statements have been prepared by the Corporation’s management in accordance with the accounting policies as described in Note 3 to the financial statements and the Project Financial Management Manual.

In our opinion, the financial statements of the Project as at 31 December 2018 and for the year then ended are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements and the Project Financial Management Manual.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Program in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Accounting Policies

We draw attention to Note 3 to the financial statements which describe the accounting policies. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

The Corporation’s management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out in Note 3 of the notes to the financial statements and the Project Financial Management Manual and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

We communicate with those charged with governance 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.

For and on behalf of Ernst & Young Vietnam Limited



Phạm Thị Cẩm Tú
Deputy General Director
Audit Practicing Registration Certificate
No. 2266-2018-004-1

Ho Chi Minh City, Vietnam

26 June 2019

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

BALANCE SHEET
as at 31 December 2018

| | | VND | |
|-----------------------------------|-------|--------------------------|--------------------------|
| | Notes | 31 December 2018 | 31 December 2017 |
| ASSETS | | | |
| Non-current asset | | | |
| Project implementing expenditures | 5 | 1,134,602,951,544 | 1,054,494,269,987 |
| Current assets | | | |
| Cash | 6 | 18,224,307,498 | 17,846,356,858 |
| Short-term advance to suppliers | 7 | 1,516,020,417 | 1,723,046,246 |
| Total current assets | | 19,740,327,915 | 19,569,403,104 |
| TOTAL ASSETS | | 1,154,343,279,459 | 1,074,063,673,091 |
| RESOURCES | | | |
| Funds | | | |
| IDA fund | 8 | 915,412,000,000 | 915,412,000,000 |
| Counterpart fund | | 187,929,424,500 | 104,390,033,105 |
| Foreign exchange difference | | 141,100,065 | (633,359,769) |
| Total funds | | 1,103,482,524,565 | 1,019,168,673,336 |
| Liabilities | | | |
| Short-term payables to suppliers | 9 | 50,485,328,155 | 53,687,663,343 |
| Other short-term payables | 10 | 375,426,739 | 1,207,336,412 |
| Total liabilities | | 50,860,754,894 | 54,894,999,755 |
| TOTAL RESOURCES | | 1,154,343,279,459 | 1,074,063,673,091 |



Tang Bac Ngan
Preparer



Nguyen Van Hung
Chief Accountant



Pham Quoc Bao
General Director

26 June 2019

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

STATEMENT OF SOURCES AND USES OF FUNDS for the year ended 31 December 2018

| | VND | | | | | |
|--|-------------|-----------------------|-----------------------|---------------------------------|------------------------|--------------------------|
| | 2018 | | | Accumulated to 31 December 2018 | | |
| | IDA fund | Counterpart fund | Total | IDA fund | Counterpart fund | Total |
| Receipts | | | | | | |
| IDA fund | - | - | - | 915,412,000,000 | - | 915,412,000,000 |
| Counterpart fund | - | 83,613,023,760 | 83,613,023,760 | - | 187,929,424,500 | 187,929,424,500 |
| | - | 83,613,023,760 | 83,613,023,760 | 915,412,000,000 | 187,929,424,500 | 1,103,341,424,500 |
| Disbursements | | | | | | |
| Construction | - | 83,613,023,760 | 83,613,023,760 | 541,123,805,609 | 83,613,023,760 | 624,736,829,369 |
| Equipment | - | - | - | 310,238,649,102 | - | 310,238,649,102 |
| Others | - | - | - | 49,106,491,651 | 104,316,400,740 | 153,422,892,391 |
| Foreign exchange loss | - | - | - | (2,863,435,785) | - | (2,863,435,785) |
| | - | 83,613,023,760 | 83,613,023,760 | 897,605,510,577 | 187,929,424,500 | 1,085,534,935,077 |
| Surplus of receipts over disbursements | - | - | - | 17,806,489,423 | - | 17,806,489,423 |
| Foreign exchange gain from revaluation of cash balance denominated in foreign currencies | 377,950,640 | - | 377,950,640 | 417,818,075 | - | 417,818,075 |

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

STATEMENT OF SOURCES AND USES OF FUNDS (continued) for the year ended 31 December 2018

| | 2018 | | Accumulated to 31 December 2018 | | VND | |
|------------------------------------|----------------|------------------|---------------------------------|----------------|-----|------------------|
| | IDA fund | Counterpart fund | Total | IDA fund | | Counterpart fund |
| Change in fund balance | 377,950,640 | - | 377,950,640 | 18,224,307,498 | - | 18,224,307,498 |
| Funds balance at beginning of year | 17,846,356,858 | - | 17,846,356,858 | - | - | - |
| Funds balance at ending of year | 18,224,307,498 | - | 18,224,307,498 | 18,224,307,498 | - | 18,224,307,498 |

Represented by:

Cash balance as at 31 December 2018

18,224,307,498

18,224,307,498

18,224,307,498



Tang Bac Ngan
Preparer



Nguyen Van Hung
Chief Accountant



Pham Quoc Bao
General Director

26 June 2019

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

STATEMENT OF DESIGNATED ACCOUNT for the year ended 31 December 2018

Account No.: 007.1.37.0763302
Depository Bank: Joint Stock Commercial Bank for Foreign Trade of Vietnam
– Ho Chi Minh City Branch
Address: 132 Ham Nghi, District 1, Ho Chi Minh City
Financing Agreement No.: 5156-VN
Currency: USD

USD
Amount

Part A: Account activity

| | |
|--|-------------------|
| Opening balance (as at 1 January 2018) | 787,397.17 |
| Add: | |
| Total amount deposited by the World Bank during the year | - |
| Deduct: | |
| Total amount withdrawn during the year | - |
| Closing balance (as at 31 December 2018) | 787,397.17 |

Part B: Account reconciliation

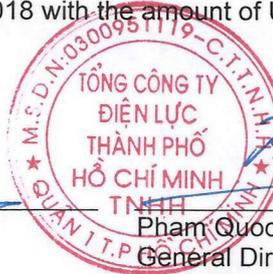
| | |
|---|---------------------|
| Outstanding advance balance from the World Bank as at 31 December 2017 | 2,640,462.66 |
| <i>In which:</i> | |
| Closing balance of the designated account as at 31 December 2017 | 787,397.17 |
| Amount withdrawn but not yet cleared as at 31 December 2017 | 1,853,065.49 |
| Add: | |
| Total amount advanced from the World Bank during the year | - |
| Deduct: | |
| Total amount cleared during the year (*) | 1,853,065.49 |
| Outstanding advance balance from the World Bank as at 31 December 2018 | 787,397.17 |
| <i>In which:</i> | |
| Closing balance of the designated account as at 31 December 2018 | 787,397.17 |
| Amount withdrawn but not yet cleared as at 31 December 2018 | - |

(*) According to Application No. HCM-021 date 23 April 2018 with the amount of USD 1,853,065.49


Tang Bac Ngan
Preparer


Nguyen Van Hung
Chief Accountant


Pham Quoc Bao
General Director



26 June 2019

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2018

1. GENERAL INFORMATION

Distribution Efficiency Project operates under Financing Agreement No. 5156-VN, Loan Agreement No. TF13468-VN and Grant Agreement No. TF013456-VN dated on 8 November 2012 between the Government of Socialist Republic of Vietnam and the International Development Association, the Clean Technology Fund and the Australian Trust Fund, respectively.

The objectives of the Project are to improve the performance of the Power Corporations in providing quality and reliable electricity services, and to reduce greenhouse gas emissions through demand-side response and efficiency gains.

The Project consists of 3 parts as follows:

Part A: System's expansion and reinforcement

Construction and reinforcement of 110 kV, medium voltage, and low voltage electricity distribution networks, including substations of the Power Corporations.

Part B: Introduction of Smart Grid Technologies in distribution

Automation through application of supervisory control and data collection systems, operation of electricity distribution network and of data collection of Power Corporations.

Introduction of advanced metering infrastructure systems including two-way communication systems under form of smart electricity distribution technologies for key substations and consumers of selected Power Corporations.

Part C: Technical assistance and capacity building

Provision of technical assistance to and capacity building of the Electricity Regulatory Authority of Vietnam for improvement of efficiency in electricity tariffs, enhancement of efficiency and incorporation of smart grid technologies in the grid and distribution codes, integration of renewable energy in the grid and distribution codes, development of demand response and smart grid program, Project management and monitoring and evaluation.

Provision of technical assistance to the Power Corporations for:

- (i) Effective and timely Project implementation, capacity building in relation to financial modelling and planning, and carrying out of customer surveys and instituting of other such measures to improve customer satisfaction; and
- (ii) Implementation of advanced metering infrastructure systems, carrying out of programs promoting efficient electricity use such as a customer awareness campaign and demand response programs, and Project monitoring and evaluation.

Distribution Efficiency Project - Financing Agreement No. 5156-VN, Loan Agreement No. TF13468-VN and Grant Agreement No. TF013456-VN – Portion implementation by the Corporation ("the Project") is implemented under the Sub-loan Agreement signed between the Corporation and the Ministry of Finance dated 7 February 2013.

Funds of Distribution Efficiency Project include International Development Association fund ("IDA"), Clean Technology Fund ("CTF"), Australian trust fund ("AUSAID") and counterpart fund. Funds from IDA, CTF and AUSAID implemented by the Corporation are within USD 55 million, USD 15 million and USD 300,000, respectively.

The Project is expected to be completed by 31 December 2018.

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The Project's financial statements, prepared under the historical cost convention, are expressed in Vietnam Dong (VND), except for the statement of designated account and statement of loan withdrawals which are expressed in United States Dollars (USD).

The Project's financial statements are prepared in accordance with accounting policies described in Note 3 of the Notes to the financial statements and present receipts from IDA and Counterpart funds, disbursements made by the Corporation.

Fiscal year

The Project's fiscal year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Management in the preparation of these financial statements, are as follows:

Contribution from IDA

Contribution from IDA are recognized when cash is deposited to the Project's designated account which is managed by the Corporation, rather than when being committed or budgeted.

Contribution from Counterpart funds

Receipts of Counterpart funds are recognized when disbursements are made through the bank accounts of the Corporation and its project management units on behalf of the Project rather than when being committed or budgeted.

Disbursements

Disbursements are recognized when advances or payments are made by the Project to contractors, suppliers or beneficiaries for relevant project activities.

Project implementing expenditure

The Project implementing expenditure is recognized for amounts paid and to be paid in the future for goods and services received and accepted, whether or not billed to the Project.

Cash

Cash includes cash at the designated account.

Advances to suppliers

Advances to suppliers are carried at the disbursed amount in the balance sheet until subsequent liquidation or realization is made and approved.

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payables

Payables to suppliers represent the amounts are to be paid to suppliers for goods and service received but remain unpaid by the Project as at the year-end.

Foreign currency translation

Transactions in foreign currencies are translated into Vietnam Dong (VND) at the exchange rate ruling on the transaction date. Monetary items included in the fund balance, which are denominated in foreign currencies, are retranslated at the transfer rate announced by Joint Stock Commercial Bank for Foreign Trade of Vietnam at the balance sheet date.

Foreign exchange differences are presented separately in the statement of sources and uses of funds for the reporting year.

4. DESIGNATED ACCOUNT

Designated account under Financing Agreement No. 5156-VN is deposit account in USD opened at Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch for implementation of the Project's activities. Payments out of the designated account are for expenditures in accordance with the relevant covenants Financing Agreement No. 5156-VN and relevant regulations established by the International Development Association.

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

5. PROJECT IMPLEMENTING EXPENDITURES

| | VND | |
|--------------------|---------------------------------|---------------------------------|
| | 31 December 2018 | 31 December 2017 |
| Construction works | 575,321,668,129 | 533,476,000,925 |
| Equipment | 445,802,603,491 | 412,438,615,817 |
| Other expenses (i) | 113,478,679,924 | 108,579,653,245 |
| TOTAL | <u>1,134,602,951,544</u> | <u>1,054,494,269,987</u> |

(i) Other expenses mainly include expenses for survey and preparation of construction investment reports, technical design, shop drawings, front-end fee and project management costs.

Details by sub-project are as follows:

| | VND | |
|---|---------------------------------|---------------------------------|
| Sub-project | 31 December 2018 | 31 December 2017 |
| 22kV underground cable cross the sea supplying power to Thanh An Commune – Can Gio District | 191,200,198,026 | 191,200,198,026 |
| Tan Binh 3 (Tan Thang) 110kV Power station and connector | 169,060,096,891 | 169,060,096,891 |
| Go Vap 2 (Thanh Loc) 110kV Power station and connector | 118,013,468,202 | 118,013,468,202 |
| Hiep Phuoc Industrial Zone 110kV Power station and connector | 109,815,584,888 | 109,815,584,888 |
| An Phu 110kV Power station and connector | 107,554,382,079 | 107,554,382,079 |
| Cau Bong 110kV Power station | 77,452,949,046 | 77,526,581,411 |
| Renovation and upgrade the SCADA system | 68,256,282,662 | 68,256,282,662 |
| Nam Sai Gon – Nam Sai Gon 3 110kV Transmission Line – Segment 1 | 67,214,921,214 | 50,860,940,788 |
| Nha Be – An Nghia 110kV Transmission Line – Segment 2 | 63,199,333,661 | 63,199,333,661 |
| Renovation 110 kV Xa Lo Power station | 60,227,175,679 | - |
| 110kV underground cable Xa Lo - Da Kao | 51,879,748,986 | 48,278,591,169 |
| Nha Be – An Nghia 110kV Transmission Line – Segment 1 | 28,768,765,739 | 28,768,765,739 |
| Hiep Binh Phuoc – Binh Trieu 110kV Transmission Line – Segment 1 | 21,960,044,471 | 21,960,044,471 |
| TOTAL | <u>1,134,602,951,544</u> | <u>1,054,494,269,987</u> |

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

6. CASH

| | 31 December 2018 | | 31 December 2017 | |
|--------------------|-----------------------|-------------------|-----------------------|-------------------|
| | VND | USD | VND | USD |
| Designated account | | | | |
| IDA fund | <u>18,224,307,498</u> | <u>787,397.17</u> | <u>17,846,356,858</u> | <u>787,397.17</u> |

7. SHORT-TERM ADVANCE TO SUPPLIERS

| | VND | |
|---|-----------------------------|-----------------------------|
| | 31 December 2018 | 31 December 2017 |
| Site Clearance Board in Tan Phu District, Ho Chi Minh City | 1,264,900,531 | 1,264,900,531 |
| Others | <u>251,119,886</u> | <u>458,145,715</u> |
| TOTAL | <u>1,516,020,417</u> | <u>1,723,046,246</u> |

8. IDA FUND

| | 31 December 2018 | | 31 December 2017 | |
|--------------------|------------------------|-------------------|------------------------|-------------------|
| | VND | USD | VND | USD |
| Designated account | <u>915,412,000,000</u> | <u>42,300,000</u> | <u>915,412,000,000</u> | <u>42,300,000</u> |

9. SHORT-TERM PAYABLES TO SUPPLIERS

| | VND | |
|---|------------------------------|------------------------------|
| | 31 December 2018 | 31 December 2017 |
| Due to other parties | 48,291,986,311 | 52,168,569,225 |
| - Chan Hung Trading Technical Services Joint Stock Company | 19,476,228,042 | - |
| - Xian Electric Engineering Company Limited | 16,029,349,021 | - |
| - Consultant Investment and Construction Joint Stock Company No. 5 | 4,945,111,484 | 701,931,087 |
| - Applied Technical Systems Company Ltd. | 4,297,014,781 | 4,141,705,850 |
| - Saigon Traffic Construction Joint Stock Company | 1,200,737,431 | 8,485,004,525 |
| - Power Engineering Construction Joint Stock Company No. 1 | - | 31,785,617,115 |
| - Others | 2,343,545,552 | 7,054,310,648 |
| Due to related parties (Note 11) | <u>2,193,341,844</u> | <u>1,519,094,118</u> |
| TOTAL | <u>50,485,328,155</u> | <u>53,687,663,343</u> |

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

10. OTHER SHORT-TERM PAYABLES

| | VND | |
|--------------------|---------------------------|-----------------------------|
| | 31 December 2018 | 31 December 2017 |
| Interest expense | - | 1,070,037,443 |
| Inspection expense | 142,716,509 | 137,298,969 |
| Others | 232,710,230 | - |
| TOTAL | <u>375,426,739</u> | <u>1,207,336,412</u> |

11. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year related to activities which were financed by the counterpart funds were as follows:

| | | | VND | |
|--|---------------------|--------------------|---------------------|----------------------|
| <i>Related party</i> | <i>Relationship</i> | <i>Transaction</i> | <i>Current year</i> | <i>Previous year</i> |
| Power Engineering Consulting Joint Stock Company No. 1 | Affiliate | Services rendered | 1,892,000,000 | - |
| High Voltage Power Network Company | Affiliate | Services rendered | 94,752,000 | - |
| Power Engineering Consulting Joint Stock Company No. 2 | Affiliate | Services rendered | 190,234,462 | 1,141,411,968 |
| Power Engineering Consulting Joint Stock Company No. 3 | Affiliate | Services rendered | 696,842,385 | 91,330,835 |

Amounts due to related parties at the balance sheet dates were as follows:

| | | | VND | |
|--|---------------------|--------------------|-----------------------------|-----------------------------|
| <i>Related party</i> | <i>Relationship</i> | <i>Transaction</i> | <i>31 December 2018</i> | <i>31 December 2017</i> |
| <i>Short-term payables to suppliers</i> | | | | |
| Power Engineering Consulting Joint Stock Company No. 1 | Affiliate | Services rendered | 2,081,200,000 | - |
| Power Engineering Consulting Joint Stock Company No. 2 | Affiliate | Services rendered | 27,052,074 | 1,333,540,429 |
| Power Engineering Consulting Joint Stock Company No. 3 | Affiliate | Services rendered | 85,089,770 | 185,553,689 |
| | | | <u>2,193,341,844</u> | <u>1,519,094,118</u> |

Ho Chi Minh City Power Corporation

Distribution Efficiency Project

Established under the Financing Agreement No. 5156-VN between the International Development Association and the Government of the Socialist Republic of Vietnam

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2018

12. COMMITMENTS

As at 31 December 2018, the outstanding of contracts for construction, purchasing equipment and others signed with local and overseas suppliers was VND 45 billion (31 December 2017: VND 174 billion).

13. EVENTS AFTER THE BALANCE SHEET DATE

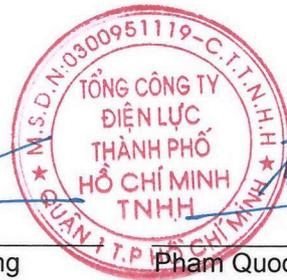
There is no matter or circumstance that has arisen since the balance sheet date that may significantly affect the operations of the Project, the results of those operations or the financial position of the Project.



Tang Bac Ngan
Preparer



Nguyen Van Hung
Chief Accountant



Phạm Quốc Bảo
General Director

26 June 2019

PART II

REPORT OF INDEPENDENT AUDITORS ON
EFFECTIVENESS OF INTERNAL CONTROL

Reference: 61261031/20264413/WB-5156-Internal control

REPORT OF INDEPENDENT AUDITORS ON EFFECTIVENESS OF INTERNAL CONTROL

To: The Management of Ho Chi Minh City Power Corporation

We have audited the design and operating effectiveness of the internal control of the Distribution Efficiency Project - Financing Agreement No. 5156-VN – Portion implemented by Ho Chi Minh City Power Corporation (“the Corporation”) (“the Project”) which existed during the year ended 31 December 2018. The internal control was set up for the purpose of managing risks to the achievement of the Project’s objectives, including the reasonable prevention and detection of errors, irregularities and fraud. The internal control is the responsibility of the Corporation’s management.

Auditors’ Responsibility

Our responsibility is to express an opinion, based on our audit, on the effectiveness of the internal control that could have a direct and material financial effect to the financial statements of the Project during the year ended 31 December 2018. We conducted our audit in accordance with the principles of International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (“ISAE 3000”) insofar this standard could be usefully applied in this audit and in its specific compliance context. This standard requires that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the internal control for the Project is adequately designed for the purpose of the Project and was operating effectively during the year covered by the audit.

Our audit included obtaining a sufficient understanding of the Project and the internal control for the Project; assessing the risk that a material weakness exists that could have a direct and material financial effect to the financial statements of the Project; testing and evaluating, on a sample basis, the design and operating effectiveness of internal control based on the assessed risk; and performing such other procedures as we considered necessary in the circumstances.

We considered the following criteria in evaluating the effectiveness of the internal control:

- ▶ the requirement for design and implementation of the internal control in the Project’s Financial Management Manual (“FMM”);
- ▶ the appropriateness of the internal control for the Project’s activities and objectives;
- ▶ the implementation of the internal control by the Corporation to achieve its objective of prevention and detection of errors, irregularities and fraud that could have a direct and material financial effect to the financial statements of the Project;
- ▶ the significance to the financial statements where one control or several controls did not operate as designed, if any; and
- ▶ that a weakness or a deficiency existed where a control or several controls did not reasonably prevent or detect risks that could have an adverse impact on the objectives of those internal controls which are to provide reasonable assurance that the financial statements are prepared, in all material respects, in accordance with the adopted accounting policies and FMM, that the funds are utilized for the purposes defined in the Financing Agreement and that the Project complies with the Financing Agreement, FMM and other laws and regulations applicable to the Project.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Project's internal control which existed during the year ended 31 December 2018, in all material respects, was adequately designed for the purpose of the Project and operated in an effective manner, based on the evaluating criteria above.

Other matters

We draw attention to Annex 1 – Management letter in which we mentioned findings from the internal control system which have no direct and material financial affect to the Project's financial statements but may lead to the risks of effectiveness of the Project's internal control system.

This audit involved a historic evaluation of the effectiveness of internal control at a specific point of time. Thus this audit does not provide assurance for future periods due to the risk that internal control may become inappropriate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

For and on behalf of Ernst & Young Vietnam Limited



Phạm Thị Cam Tu
Deputy General Director
Audit Practicing Registration Certificate
No. 2266-2018-004-1

Ho Chi Minh City, Vietnam

26 June 2019

PART III

REPORT OF INDEPENDENT AUDITORS ON
THE COMPLIANCE



Building a better
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REPORT OF INDEPENDENT AUDITORS ON THE COMPLIANCE

To: The Management of Ho Chi Minh City Power Corporation

We have examined the compliance of the management of Ho Chi Minh City Corporation ("the Corporation") in relation to the implementation of the Distribution Efficiency Project - Financing Agreement No. 5156-VN – Portion implemented by the Corporation ("the Project") with the applicable laws, regulations and other provisions of the Loan Agreement between the Government of the Socialist Republic of Vietnam and the International Development Association ("Financing Agreement") for the year ended 31 December 2018. The Corporation's management is responsible for the compliance with the Financing Agreement, the Project's Financial Management Manual ("FMM") and other laws and regulations applicable to the Project (collectively referred to as "the Project's regulations").

Auditors' responsibility

Our responsibility is to express an opinion, based on our examination, on the compliance of the Corporation's management with the Project's regulations that could have a direct and material financial effect to the financial statements of the Project during the year ended 31 December 2018. We conducted our examination in accordance with the principles of International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000") in so far this standard could be usefully applied in this examination and in its specific compliance context. This standard requires that we comply with ethical requirements and that we plan and perform the examination to obtain reasonable assurance about whether the Corporation's management complies with the Project's regulations that could have a direct and material financial effect to the financial statements during the year.

Our examination included obtaining a sufficient understanding of the Project, and the Project's regulations; assessing the risk on non-compliance exists that could have a direct and material financial effect to the financial statements of the Project testing and evaluation on a sample basis, the compliance of the Corporation's management with the Project's regulations based on the assessed risk; and performing such other procedures as we considered necessary in the circumstances.

We considered the following criteria in evaluating the compliance of the Corporation's management with the Project's regulations:

- ▶ the Corporation's management awareness of the Project's regulations;
- ▶ the implementation of the Project's regulations by the Corporation's management;
- ▶ the significance to the financial statements where Corporation's management fails to comply with one requirement or several requirements in the Project's regulations, if any; and
- ▶ that a weakness or a deficiency existed where Corporation's management fails to comply with one or several requirements in the Project regulations that could have a direct and material financial effect to the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Corporation's management complies, in all material respects, with the Project's regulations that could have a direct and material financial effect to the financial statements of the Project for the year ended 31 December 2018 based on the evaluating criteria above.

Other matters

We draw attention to Annex 1 – Management letter in which we discussed minor departure from the Project's regulations which have no direct and material financial effect to the financial statements of the Project but may put the Project's objectives at risk.

This examination involved a historic evaluation of the compliance of Corporation's management with the Project's regulations at a specific point of time. Thus, this examination does not provide assurance for future periods due to the risk of changes in the Project's regulations, or that the degree of compliance with the Project's regulations, may deteriorate.

For and on behalf of Ernst & Young Vietnam Limited



Phạm Thị Cam Tu
Deputy General Director
Audit Practicing Registration Certificate
No. 2266-2018-004-1

Ho Chi Minh City, Vietnam

26 June 2019