

VIETNAM ENVIRONMENT PROTECTION FUND
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2018

2019 -06- 27



TABLE OF CONTENTS

<u>CONTENT</u>	<u>PAGE(S)</u>
PART I FINANCIAL STATEMENTS	
STATEMENT OF THE BOARD OF DIRECTORS	2 - 3
INDEPENDENT AUDITORS' REPORT	4 - 5
STATEMENT OF FINANCIAL POSITION	6 - 7
INCOME STATEMENT	8
CASH FLOW STATEMENT	9 - 10
NOTES TO THE FINANCIAL STATEMENTS	11 - 22
PART II REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL	23 - 24
PART III INDEPENDENT ASSURANCE REPORT ON COMPLIANCE	
STATEMENT OF THE BOARD OF DIRECTORS ON COMPLIANCE	25
INDEPENDENT AUDITOR'S ASSURANCE REPORT ON COMPLIANCE	26 - 27
PART IV MANAGEMENT LETTER	28 - 32

PART I
FINANCIAL STATEMENTS

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VIETNAM ENVIRONMENT PROTECTION FUND

6th Floor, Map Publisher building, No. 85 Nguyen Chi Thanh
Dong Da, Hanoi, Vietnam

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Vietnam Environment Protection Fund (the "Fund") presents this report together with the Fund's financial statements for the financial year ended 31 December 2018.

THE MANAGEMENT COUNCIL AND THE BOARD OF DIRECTORS

The members of the Management Council and Board of Directors of the Fund who held office during the year and to the date of this report are as follows:

Management Council

Mr. Vo Tuan Nhan	Chairman
Mr. Nguyen Duc Thuan	Member (Appointed on 17 January 2018)
Mr. Nguyen Xuan Truong	Member (Resigned on 17 January 2018)
Mr. Hoang Van Thuc	Member
Ms. Phan Viet Nga	Member
Mr. Pham Chi Quang	Member
Mr. Nguyen Minh Tien	Member
Mr. Nguyen Tuan Anh	Member

Board of Directors

Mr. Nguyen Duc Thuan	Director
Mr. Pham Van Trieu	Deputy Director
Ms. Duong Thi Phuong Anh	Deputy Director
Mr. Cao Manh Dam	Deputy Director (Appointed on 15 May 2018)

The member of the Board of Supervisors during the year and to the date of this report are as follows:

Ms. Nguyen Thi Huyen	Chief Supervisor (Appointed on 28 February 2018)
Ms. Phan Viet Nga	Chief Supervisor (Resigned on 28 February 2018)

VIETNAM ENVIRONMENT PROTECTION FUND

6th Floor, Map Publisher building, No. 85 Nguyen Chi Thanh
Dong Da, Hanoi, Vietnam

STATEMENT OF THE BOARD OF DIRECTORS (Continued)

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Fund is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Fund as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Directors 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Fund and that the financial statements comply with Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to the Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Fund has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors,



Nguyen Duc Thuan
Director

Hanoi, 24 April 2019

No.: 1135 /VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

**To: The Management Council and Board of Directors
Vietnam Environment Protection Fund**

Opinion

We have audited the financial statements of Vietnam Environment Protection Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2018, the statement of income, statement of cash flows for the year then ended, and the notes to the financial statements, 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 Fund as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 and Note 3 of the Notes to the financial statements, which describes the accounting convention and the summary of the significant accounting policies. The financial statements are prepared in accordance with Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting and the requirements of the World Bank. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and Management Council for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Fund'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 the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Council are responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' 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 auditors' 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 International Standards on Auditing (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.
- 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 Fund'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 in the 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 Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

We communicate with the Management Council and the Board of Directors of the Fund 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.



Dang Chi Dung

Deputy General Director

Audit Practising Registration Certificate
No. 0030-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

24 April 2019

Hanoi, S.R. Vietnam

Nguyen Luong Tam

Auditor

Audit Practising Registration Certificate
No. 2303-2018-001-1

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance (Restated)
A. ASSETS	100		1,559,873,117,808	1,518,616,177,691
I. Cash and cash equivalents	110	4	34,590,772,196	7,479,133,341
1. Cash	111		24,590,772,196	7,479,133,341
2. Cash equivalents	112		10,000,000,000	-
II. Financial investments	120		1,498,072,068,714	1,476,401,515,662
1. Held-to-maturity investments	121	5	665,255,698,630	807,533,208,159
2. Loans receivables	122		832,816,370,084	668,868,307,503
a. <i>Medium and long-term loans using the funds from the State budget</i>	122a	6	766,798,785,677	603,464,361,897
b. <i>Medium and long-term loans using the funds from the WorldBank</i>	122b	7	76,660,000,000	79,170,000,000
c. <i>Provision for credit losses</i>	122c	8	(10,642,415,593)	(13,766,054,394)
III. Receivables	130		25,609,770,867	32,583,486,018
1. Trade receivables	131		23,336,927,059	30,089,568,528
2. Advances to suppliers	132		627,406,461	627,406,461
3. Other receivables	135	9	1,645,437,347	1,866,511,029
IV. Fixed assets	150		1,170,254,923	1,281,927,645
1. Tangible fixed assets	151	10	1,162,004,887	1,257,677,613
- Cost	152		2,580,658,380	2,460,658,380
- Accumulated depreciation	153		(1,418,653,493)	(1,202,980,767)
2. Intangible assets	154	11	8,250,036	24,250,032
- Cost	155		258,000,000	258,000,000
- Accumulated amortisation	156		(249,749,964)	(233,749,968)
V. Other assets	170		430,251,108	870,115,025
1. Prepayments	173	12	430,251,108	870,115,025
TOTAL ASSETS (100=110+120+130+150+170)	100		1,559,873,117,808	1,518,616,177,691

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance (Restated)
B. LIABILITIES	200		393,804,046,192	376,336,965,897
I. Entrusted funds received	210	13	76,660,000,000	79,170,000,000
II. Liabilities	220		317,144,046,192	297,166,965,897
1. Trade payables	221		4,302,000	4,302,000
2. Taxes and amounts payable to the State budget	223	14	432,958,261	2,278,220,883
3. Payables to employees	224		6,276,092,253	5,643,781,562
4. Short-term accrued expenses	225		2,038,999,000	-
5. Other payables	228		18,978,054,537	13,061,407,622
6. Environmental remediation deposit in mineral extraction	229	15	144,173,045,353	134,009,882,738
7. Bonus and welfare fund	232		1,540,486,444	1,323,397,388
8. Entrusted activities payables	233		1,302,794,111	1,297,549,641
9. Receipts for sponsorship	236	16	142,397,314,233	139,548,424,063
C. EQUITY	300	17	1,166,069,071,616	1,142,279,211,794
1. Fund from the State budget	311		733,787,000,000	733,787,000,000
2. Investment and development fund	314		432,282,071,616	408,492,211,794
TOTAL RESOURCES (330 = 200+300)	330		1,559,873,117,808	1,518,616,177,691

Nguyen Hoai Thu
Preparer

Vu Van Chinh
Chief Accountant



Nguyen Duc Thuan
Director

24 April 2019

The accompanying notes are an integral part of these financial statements

INCOME STATEMENT

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year (Restated)
1. Net income from interest	01	19	66,511,722,059	87,691,396,773
1.1 Net revenue from interest of time deposits,	02		70,873,463,272	92,374,927,814
1.2 Operational expenses	03		4,361,741,213	4,683,531,041
2. Net income from entrusted loans activities	04	20	148,396,251	118,314,664
2.1 Net revenue from entrusted loans activities	05		148,396,251	118,314,664
3. Net income from other operation activities	07	21	(122,456,000)	13,492,000
3.1 Revenue from other operational activities	08		-	202,500,000
3.2 Other operational activities' expenses	09		122,456,000	189,008,000
4. Net income from finance activities	10		(2,426,630)	32,397,125
4.1 Financial income	11		-	32,397,125
4.2 Financial expenses	12		2,426,630	-
5. General and administration expenses	13	22	36,384,332,634	34,696,261,883
6. Other net income	14		(2,800,000)	4,300,000
6.1 Net revenue from other activities	15		-	4,300,000
6.2 Other expenses	16		2,800,000	-
7. Operating profit before risk provision (20=01+04+07+10-13+14)	20		30,148,103,046	53,163,638,679
8. Provision expenses for credit losses	30	23	(3,123,638,801)	(23,332,224,121)
9. Accounting income (40 = 20 - 30)	40		33,271,741,847	76,495,862,800



Nguyen Hoai Thu
Preparer

Vu Van Chinh
Chief Accountant



Nguyen Duc Thuan
Director

24 April 2019

The accompanying notes are an integral part of these financial statements

CASH FLOWS STATEMENT

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year (Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Accounting income	01	33,271,741,847	76,495,862,800
2. Adjustments for:			
Depreciation and amortisation of fixed	02	231,672,722	206,865,724
Provisions	03	(3,123,638,801)	(23,332,224,121)
Foreign exchange (gain)/loss arising from translating foreign currency items	04	2,426,630	(32,397,125)
Changes in assets and payables			
Changes in assets			
		(153,410,844,712)	(102,885,663,215)
Changes in loans receivables	05	(160,824,423,780)	(87,757,096,354)
Changes in interest receivables	06	6,973,715,151	(14,995,326,442)
Changes in other assets	09	439,863,917	(133,240,419)
Changes in payables			
		7,985,198,270	(30,328,918,568)
Changes in entrusted fund received	10	(2,510,000,000)	(150,000,000)
Changes in environmental remediation deposits in mineral extraction	11	10,163,162,615	9,195,710,399
Changes in receipts for sponsorship	14	(3,805,458,199)	(41,094,674,711)
Changes in payables to suppliers, employees and other payables	15	6,747,938,454	5,948,892,944
Other cash outflows	17	(2,610,444,600)	(4,228,847,200)
Net cash (used in)/generated by operating activities	30	(115,043,444,044)	(79,876,474,505)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	31	(120,000,000)	(1,222,000,000)
2. Cash outflow for lending, buying debt instruments of other entities	33	(378,144,515,803)	(145,137,717,862)
3. Cash recovered from lending, selling debt instruments of other entities	34	520,422,025,332	129,000,000,000
Net cash (used in)/generated by investing activities	40	142,157,509,529	(17,359,717,862)

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year (Restated)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Increase in funds from the State budget	41	-	83,787,000,000
Net cash (used in)/generated by financing activities	50	-	83,787,000,000
Net increase/(decrease) in cash (60=30+40+50)	60	27,114,065,485	(13,449,192,367)
Cash and cash equivalents at the beginning of the year	70	7,479,133,341	20,895,928,583
Effects of changes in foreign exchange rates	71	(2,426,630)	32,397,125
Cash and cash equivalents at the end of the year (80=60+70+71)	80	34,590,772,196	7,479,133,341



Nguyen Hoai Thu
Preparer



Vu Van Chinh
Chief Accountant



Nguyen Duc Thuan
Director

24 April 2019

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Vietnam Environment Protection Fund is a State financial organization, operating under Ministry of Natural Resources and Environment and is managed by the Ministry of Finance in term of financial activities. The Fund was established under Decision No.82/2002/QD-TTg dated 26 June 2002, Decision No.35/2008/QD-TTg dated 03 March 2008, Decision No.02/2014/QD-TTg dated 13 January 2014 and Decision No.78/2014/QD-TTg dated 26 December 2014 by the Prime Minister.

According to the Decision No. 78/2014/QD-TTg dated 26 December 2014, the charter capital of the Fund is VND 1,000,000,000,000.

As at 31 December 2018, the actual amount of grant received was VND 733,787,000,000.

The obligations of the Fund includes:

- Receive, manage and use State budget sources, sources from financial assistance, donations and entrustment from domestic and foreign organizations and individuals to provide financial support for environmental protection activities and response to climate change nationwide;
- Provide loans with preferential interest rates for environmental protection projects nationwide;
- Support borrowing interest for environmental protection projects borrowing capital from credit institutions in accordance with the law;
- Finance, co-finance environmental protection activities including: treating and overcoming environment pollution, responding to and overcoming consequences caused by environmental and natural disasters, and advocacy, communication activities on the management and mining of natural resources and environment of the sea and islands; implementing programs, projects, plans and tasks under the Prime Minister's decisions; granting environmental awards, rewards to honor outstanding organizations and individuals in environment protection; implementing projects and tasks of environmental protection as stipulated in the Fund's Charter on Organization and Operation;
- Receive deposits for environmental restoration in mineral extraction from organizations and individuals permitted to mine minerals;
- Receive deposits to secure imported scrap metal for organizations and individuals;
- Implement some financial mechanisms and policies for investment projects under clean development mechanism (CDM), including: monitoring, management and collection of fees for sale of emission reduction certificates for CDM projects implemented in Vietnam; spending for awareness raising activities on investment projects under CDM; review and approval of CDM project documents; management and supervision of CDM projects; Price subsidies for CDM project products;
- Provide electricity price support for wind power projects connected with the power grid under the Prime Minister's decisions and prevailing law;
- Provide financial support for activities to response climate change in accordance with prevailing law;
- Appraise and approve the level, time and form of financial support for environment protection projects and tasks using the Fund's supporting capital according to the Fund's Charter on organization and operation;
- Submit to the Minister of Natural Resources and Environment for consideration and decision on the contents and forms of assistance arising in the course of operation; and
- Implement other programs, proposal, projects and tasks assigned by the Prime Minister, the Minister of Natural Resources and Environment.

The number of the Fund's employees as at 31 December 2018 was 91 (31 December 2016: 86).

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention in accordance with the Vietnamese Accounting Standards, Circular No. 317/2016/TT-BTC on accounting guidance applicable to Vietnam Environment Protection Fund, the regime for financial management of Vietnam Environment Protection Fund and legal regulations relating to financial reporting.

Financial year

The Fund's financial year begins on 01 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments

Loans from the Fund's capital

Financial support for environment protection programs, projects and activities are in the form of loans with preferential interest rates and loan interest support, loan guarantee for environment projects from other credit institutions. Loans are provided on a repayable basis and with interest based on the Ministry of Finance's guidelines and regulations on the loan amount.

The amount of loans with preferential interest rates does not exceed 70% of the total expenditures of environmental protection investment projects, the interest rate is determined at the time of loan contracts signing and will be fixed throughout the term. The lending interest rate is set by Management Council of the Fund for each target group, but must not exceed 50% of the commercial lending interest rate.

The loan portfolio of the fund is disclosed and presented according to loan principals as at the end of the fiscal year.

The debt classification is implemented in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013, which is amended and supplemented in accordance with Circular No. 09/2014/TT-NHNN dated 18 March 2014 by the Governor of the State Bank of Vietnam. Accordingly, the debts are classified into 5 groups as follows: i) Group 1: Current debts; ii) Group 2: Special mention debts; iii) Group 3: Sub-standard debts; iv) Group 4: Doubtful debts; v) Group 5: Loss debts.

Entrusted fund and loans from the entrusted fund

The fund receives the trust money under the trust contract, whereby the Fund will lend under the mandate of the trustee and collect the trustee fee.

Entrusted capital and loans are recorded on actual incurred.

In 2018, the Fund performs entrusted lending under Entrusted agreement No. 06/2013/UQ/BTC-QLN dated 02 April 2013 of the Ministry of Finance about the entrusted lending under the World Bank's financial assistance.

Provision for credit losses

Provision for credit losses is recognized as expenses on the income statement and is used to cover bad debts.

Provision for credit losses include general provision and specific provision. General provision refers to a monetary amount used for protecting against any unspecified loss that may arise from the process of debt classification and specific hedge creation, or in case of financial difficulties that Vietnam Environment Protection Fund faces when the debt quality is reduced. Specific provision refers to a monetary amount created on the basis of classification of specific debts as a contingency fund or provision for any loss that may arise.

Provision for credit losses is made under the guidance of Circular No. 03/2017/TT-BTNMT dated 21 March 2017 of the Ministry of Natural Resources and Environment guiding the award of preferential lending and post-investment interest rate incentives by Vietnam Environment Protection Fund. In 2016, the Fund set up the provision rate of 1.2% of total outstanding loans, accordance with the decision of the Fund's Management Council, in line with the guidance in Circular No. 132/2015/TT-BTC dated 28 August 2015 guiding the financial management mechanism for Vietnam Environment Protection Fund".

Held-to-maturity investments

Short-term financial investments include bank deposits with a term of from over 3 months to less than 12 months.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Motor vehicles	7
Office equipments	3 - 5
Others	8

Prepayments

Long-term prepayments represent prepaid house rentals and tools and supplies issued for consumption. House rentals are charged to expenses during the year using the straight-line method over the lease term.

Environmental remediation deposits in mineral extraction

Deposits are recognized when the organizations and individuals permitted to mine minerals deposit money into the bank account of the Fund for the purpose of securing the funding for post-mining environmental rehabilitation and restoration activities. The minimum deposit amount must be equal to the actual cost for rehabilitating the environment after mining. After completion of the rehabilitation and restoration of the environment, authorized organizations and individuals shall be allowed to withdraw the original deposited amount and interest arising from such deposits.

Receipts for sponsorship

Receipts for sponsorship reflect the following: the funds received from the State budget and the payment out of such funds as financial support for environment protection projects and assignments as settled with the State budget; penalties for damages to environment and biodiversity which are required to be paid to the State Budget according to law; proceeds from selling certified greenhouse emission reduction (CERs) received from CDM projects implemented in Vietnam; donations, supports, voluntary contributions and entrusted funds received from domestic and overseas organizations and individuals for environmental protection and responses to climate change.

Under Circular No.132/2015/TT-BTC dated 28 August 2015 issued by the Ministry of Finance, the Fund is allowed to appropriate 20% of the excess of annual financial income over expenditures to sponsorship.

Receipts for sponsorship are recognized on an accrual basis.

Owner's equity and distribution to funds

Owner's equity is recognized at the actual receipts from the State Budget.

Under Circular No.132/2015/TT-BTC dated 28 August 2015 issued by the Ministry of Finance, the Fund is allowed to make distributions to its additional capital, investment and development fund, bonus and welfare funds from the excess of annual financial income over expenditures. Specifically, rates are as follows:

Items	Fund distribution rate from the difference between income and expenditures
Additional capital fund	20% of excess of income over expenditures
Bonus and welfare funds	02 - 03 months of actual salary on an annual basic
Investment and development fund	Remaining excess of income over expenditures

Revenue from operational activities

Under Circular No. 317/2016/TT-BTC dated 07 December 2016 issued by Ministry of Finance, revenue from operational activities of the Fund including interest on time deposits; interest on loan receivables; loan appraisal fee received; entrusted fee and revenue from other operational activities.

Operational expenditures

Under Circular No. 317/2016/TT-BTC dated 07 December 2016 issued by the Ministry of Finance, the operation expenditures of the Fund include expenses of loans activities, entrusted fund activities, provision, interest expense on environmental remediation deposits in mineral extraction activities and other operational expenses.

Foreign currency translation

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the Statement of financial position date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

Taxation

The Environment Protection Fund is a State financial institution under the Ministry of Natural Resources and Environment, operating for non-profit purposes, but must preserve its charter capital and cover its management costs, exempt from taxes and other obligations to State budget for activities relating to environmental protection under the provisions of laws on tax and the State budget.

Interest income is applicable to corporate income tax rate of 5%.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Cash on hand	144,394,610	815,067,006
Demand deposit	24,446,377,586	6,664,066,335
Cash equivalents	10,000,000,000	-
	<u>34,590,772,196</u>	<u>7,479,133,341</u>

5. HELD TO MATURITY INVESTMENTS

Held to maturity investments are term deposits at commercial banks with terms from 6 to 12 months earning interest rate at about 6,1% per annum.

6. MEDIUM AND LONG-TERM LOANS FROM STATE BUDGET' CAPITAL

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Group 1	711,764,235,939	557,604,679,864
Group 2	35,270,000,000	12,920,000,000
Group 3	-	-
Group 4	-	-
Group 5 (*)	19,764,549,738	32,939,682,033
	<u>766,798,785,677</u>	<u>603,464,361,897</u>

(*) Group 5 loans are guaranteed by commercial banks in Vietnam with the amount of VND 19,123,364,750, accounting for 96.76% of the closing balance of Group 5 loan principal, the rest are secured by assets of borrowers.

The other loans are guaranteed by commercial banks in Vietnam or secured by assets of borrowers or a third party.

7. MEDIUM AND LONG-TERM LOANS FROM WORLDBANK' CAPITAL

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Group 1	76,660,000,000	79,170,000,000
	<u>76,660,000,000</u>	<u>79,170,000,000</u>

The Fund received entrusted fund from the World Bank to implement Component 2 - Pilot Financing for the construction of centralized wastewater treatment plants in industrial areas under the Industrial Pollution Management Project in Nhue-Day and Dong Nai river basins in accordance with the Financing Agreement No.5175-VN dated 24 December 2012 between Vietnam Environment Protection Fund and the World Bank.

8. PROVISION FOR CREDIT LOSSES

	<u>General provision</u> VND	<u>Specific provision</u> VND	<u>Risk provision</u> VND
Opening balance (Restated)	2,852,623,399	10,913,430,995	13,766,054,394
Additions	882,547,780	-	882,547,780
Reversal in the year	-	(4,006,186,581)	(4,006,186,581)
Utilization in the year	-	-	-
Closing balance	<u>3,735,171,179</u>	<u>6,907,244,414</u>	<u>10,642,415,593</u>

9. OTHER RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> (Restated) VND
Deposit for office rental	823,267,500	823,267,500
Personal income tax receivable from employees	-	212,431,833
Overpaid union fees	73,713,427	49,027,575
Overpaid social insurance	-	297,513,062
Advances to employees	717,777,863	462,271,059
Others	30,678,557	22,000,000
Total	<u>1,645,437,347</u>	<u>1,866,511,029</u>

10. TANGIBLES FIXED ASSETS

	Motor vehicles VND	Office equipment VND	Others VND	Total VND
COST				
Opening balance (Restated)	2,084,496,000	204,362,960	171,799,420	2,460,658,380
Additions	-	-	120,000,000	120,000,000
Closing balance	2,084,496,000	204,362,960	291,799,420	2,580,658,380
ACCUMULATED DEPRECIATION				
Opening balance (Restated)	891,591,238	204,362,960	107,026,569	1,202,980,767
Charge for the year	174,571,428	-	41,101,298	215,672,726
Closing balance	1,066,162,666	204,362,960	148,127,867	1,418,653,493
NET BOOK VALUE				
Opening balance (Restated)	1,192,904,762	-	64,772,851	1,257,677,613
Closing balance	1,018,333,334	-	143,671,553	1,162,004,887

11. INTANGIBLES FIXED ASSETS

	Computer software VND	Others VND	Total VND
COST			
Opening balance	98,000,000	160,000,000	258,000,000
Closing balance	98,000,000	160,000,000	258,000,000
ACCUMULATED AMORTISATION			
Opening balance	98,000,000	135,749,968	233,749,968
Charge for the year	-	15,999,996	15,999,996
Closing balance	98,000,000	151,749,964	249,749,964
NET BOOK VALUE			
Opening balance	-	24,250,032	24,250,032
Closing balance	-	8,250,036	8,250,036

12. PREPAYMENTS

	Closing balance VND	Opening balance VND
Fixed assets rental fee	-	555,857,500
Others	430,251,108	314,257,525
	430,251,108	870,115,025

13. ENTRUSTED FUND PAYABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Entrusted fund from World Bank (i)	76,660,000,000	79,170,000,000
Total	<u>76,660,000,000</u>	<u>79,170,000,000</u>

- (i) On-lending agreement between the Ministry of Finance and Vietnam Environment Protection Fund on the use of the Financing Agreement No. 5175-VN dated 24 December 2012 of the International Development Association for on-lending of centralized wastewater treatment for industrial areas in 04 provinces: Ha Nam, Nam Dinh, Dong Nai, Ba Ria - Vung Tau, interest rates of 6.8% per year, loan term for each project is limited at 15 years (including the grace period of 02 years grace), interest is paid semi-annually on 30 March and 30 September.

14. TAX AND AMOUNTS PAYABLES TO THE STATE BUDGET

	<u>Opening balance</u> (Restated) VND	<u>Payable</u> during the year VND	<u>Paid</u> during the year VND	<u>Closing balance</u> VND
Value added tax	11,000,000	-	-	11,000,000
Corporate income tax	1,817,471,227	2,466,637,981	4,066,073,917	218,035,291
Personal income tax	449,749,656	242,713,134	488,539,820	203,922,970
Total	<u>2,278,220,883</u>	<u>2,709,351,115</u>	<u>4,554,613,737</u>	<u>432,958,261</u>

15. ENVIRONMENTAL REMEDIATION DEPOSITS IN MINERAL EXTRACTION

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Environmental remediation deposits in mineral extraction	144,173,045,353	134,009,882,738
	<u>144,173,045,353</u>	<u>134,009,882,738</u>

According to Decision No.18/2013/QĐ-TTg dated 29 March 2013 issued by the Prime Minister on environmental remediation deposits in mineral extraction, the organizations and individuals licensed to extract mineral extraction shall deposit a certain amount of money, in a certain time, to the Vietnam Environment Protection Fund or the Local Environment Protection Fund to ensure the environmental remediation by the organizations and individuals engaged in mineral extraction in compliance with current regulations. The deposit amount must be equal at least to the actual cost of environmental remediation after completion of mineral mining activities. After environmental remediation is completed, the organizations and individuals will be able to withdraw the deposits and interest earned on such deposits.

16. RECEIPTS FOR SPONSORSHIP

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Opening balance (Restated)	139,548,424,063	165,343,926,214
Additions from retain earnings	6,654,348,369	15,299,172,560
Proceeds from selling CERs	620,536,817	507,985,659
Recovery of unused financial support	3,941,368,984	130,516,000
Payment for financial support	(8,367,364,000)	(41,733,176,370)
Closing balance	142,397,314,233	139,548,424,063

17. EQUITY

	<u>Charter capital</u> VND	<u>Investment and development fund</u> VND	<u>Retained earnings</u> VND	<u>Total</u> VND
Prior year's opening balance	650,000,000,000	351,172,898,293	-	1,001,172,898,293
Capital increase	83,787,000,000	-	-	83,787,000,000
Profit for the year	-	-	76,495,862,800	76,495,862,800
Fund distribution	-	57,319,313,501	(76,495,862,800)	(19,176,549,299)
Current year's opening balance (Restated)	733,787,000,000	408,492,211,794	-	1,142,279,211,794
Profit for the year	-	-	33,271,741,847	33,271,741,847
Fund distribution (*)	-	23,789,859,822	(33,271,741,847)	(9,481,882,025)
Current year's closing balance	733,787,000,000	432,282,071,616	-	1,166,069,071,616

(*) During the year 2018, Vietnam Environment Protection Fund distributed retained earnings to investment and development fund, welfare fund and for sponsorship activities with the respective amounts of VND 23,789,859,822 VND 2,827,533,656 and VND 6,654,348,369 according to Circular No. 132/2015/TT-BTC dated 28 August 2015 issued by the Ministry of Finance, effective from 01 January 2016 (replacing Circular No.93/2003/TT-BTC dated 06 October 2003 guiding the regime for financial management of Vietnam Environment Protection Fund).

18. OFF BALANCES SHEET ITEMS

Foreign currencies	Currency	Closing balance	Opening balance
United States Dollar	USD	7,696	7,702
Euro	EUR	8,022	8,022

19. NET INCOME FROM INTEREST

	<u>Current year</u> VND	<u>Prior year</u> VND
Net revenue	70,873,463,272	92,374,927,814
In which:		
- Interest of loan receivables	21,540,703,441	21,028,348,854
- Interest of time deposits	49,332,759,831	71,346,578,960
Expenses for lending activities	8,074,000	429,242,500
Expense of environmental remediation deposit in mineral extraction activities	4,353,667,213	4,254,288,541
Total	<u>66,511,722,059</u>	<u>87,691,396,773</u>

20. NET INCOME FROM ENTRUSTED LOANS ACTIVITIES

	<u>Current year</u> VND	<u>Prior year</u> VND
Entrusted fees	148,396,251	118,314,664
	<u>148,396,251</u>	<u>118,314,664</u>

21. NET INCOME FROM OTHER ACTIVITIES

	<u>Current year</u> VND	<u>Prior year</u> VND
Appraisal fee of loan receivables	-	202,500,000
Operation expenditures	122,456,000	189,008,000
	<u>(122,456,000)</u>	<u>13,492,000</u>

22. GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u> VND	<u>Prior year</u> VND
Administration staffs	22,096,477,366	19,135,889,877
Materials and office supplies	819,626,990	572,555,801
Depreciation and amortisation	231,672,722	206,865,724
Taxes and fees	2,466,637,981	3,567,328,948
Out-sourced services	5,595,627,354	6,396,006,058
Other administration expenses	5,174,290,221	4,817,615,475
	<u>36,384,332,634</u>	<u>34,696,261,883</u>

23. PROVISIONS EXPENSES FOR CREDIT LOSSES

	<u>Current year</u> VND	<u>Prior year</u> VND
General provision	882,547,780	2,852,623,399
Specific provision	(4,006,186,581)	10,913,430,995
Reversal of risk provision of 2016	-	(37,098,278,515)
	<u>(3,123,638,801)</u>	<u>(23,332,224,121)</u>

24. RELATED PARTY TRANSACTIONS

Remuneration paid to the Management Council, Board of Directors and Supervision Department during the year was as follows:

	<u>Current year</u> VND	<u>Prior year</u> VND
Remuneration of the Board of Management, Management Council and Board of Supervisors	1,236,205,997	1,863,991,000

25. COMPARATIVE FIGURES

In the year, the Company decided to make retrospective adjustments to the reported figures of the prior year according to the recommendations of the State Audit Office. Details are as follows:

Unit: VND

Items	Codes	<u>Previously reported amount</u>	<u>Adjustments</u>	<u>Amount after adjustments</u>
Statement of financial position				
Loans receivables	122	668,703,609,093	164,698,410	668,868,307,503
Provision for credit losses	122c	(13,930,752,804)	164,698,410	(13,766,054,394)
Other receivables	135	1,844,511,029	22,000,000	1,866,511,029
Tangible fixed assets	151	1,080,010,946	177,666,667	1,257,677,613
- Cost	152	2,278,658,380	182,000,000	2,460,658,380
- Accumulated depreciation	153	(1,198,647,434)	(4,333,333)	(1,202,980,767)
Taxes and amounts payable to the Sta	223	2,256,220,883	22,000,000	2,278,220,883
Payables to employees	224	5,637,145,776	6,635,786	5,643,781,562
Bonus and welfare fund	232	1,428,197,388	(104,800,000)	1,323,397,388
Receipts for sponsorship	236	139,460,318,204	88,105,859	139,548,424,063
Investment and development fund	314	408,139,788,362	352,423,432	408,492,211,794
Income statement				
General and administration expenses	13	34,972,092,764	(275,830,881)	34,696,261,883
Provision expenses for credit losses	30	(23,167,525,711)	(164,698,410)	(23,332,224,121)
Accounting income	40	76,055,333,509	440,529,291	76,495,862,800

Unit: VND

Items	Codes	Previously reported amount	Adjustments	Amount after adjustments
Cash flow statement				
Accounting income		76,055,333,509	440,529,291	76,495,862,800
Adjustments for:				
Depreciation and amortisation of fixed	02	202,532,391	4,333,333	206,865,724
Provisions	03	(23,167,525,711)	(164,698,410)	(23,332,224,121)
Changes in assets		(102,863,663,215)	(22,000,000)	(102,885,663,215)
- Changes in interest receivables	06	(14,973,326,442)	(22,000,000)	(14,995,326,442)
Changes in payables		(30,252,754,354)	(76,164,214)	(30,328,918,568)
- Changes in receipts for sponsorship	14	(41,094,674,711)	440,529,291	(40,654,145,420)
- Changes in payables to suppliers, employees and other payables	15	5,920,257,158	28,635,786	5,948,892,944
- Other cash outflows	17	(4,124,047,200)	(545,329,291)	(4,669,376,491)
Net cash (used in)/generated by operating activities	30	(80,058,474,505)	182,000,000	(79,876,474,505)
- Acquisition and construction of fixed assets and other long-term assets	31	(1,040,000,000)	(182,000,000)	(1,222,000,000)
- Cash outflow for lending, buying debt instruments of other entities	33	(16,137,717,862)	(129,000,000,000)	(145,137,717,862)
selling debt instruments of other entities	34	-	129,000,000,000	129,000,000,000
Net cash (used in)/generated by investing activities	40	(17,177,717,862)	(182,000,000)	(17,359,717,862)



Nguyen Hoai Thu
Preparer



Vu Van Chinh
Chief Accountant



Nguyen Duc Thuan
Director

24 April 2019

PART II
**REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL**



REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL

**To: The Management Council and Board of Directors
Vietnam Environment Protection Fund**

Report on internal control

We have audited, in accordance with International Standards on Auditing, the financial statements of Vietnam Environment Protection Fund (the "Fund") for the year ended 31 December 2018 and issued the independent auditors' report thereon dated 24 April 2019 expressing an unmodified opinion.

In connection with our audit of the Fund's financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting.

Responsibilities of Board of Directors

As stated in the Statement of the Board of Directors on page 2 and 3, the Board of Directors is responsible for designing and maintaining 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.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting based on our examination based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits and Reviews of Historical Financial Information ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether, in all material respects, the management has maintained effective internal control over compliance with the requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL (Continued)

Our examination included obtaining an understanding of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence on which to base our opinion. Because of inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion, as well as our findings as presented in the Management Letter on page 28 to page 32.

Opinion

In our opinion, the Board of Directors of the Fund has maintained, in all material respects, effective internal control over compliance with requirements that could have a direct and material financial effect on the Project's financial statements as well as over financial reporting for the year ended 31 December 2018.



Dang Chi Dung
Deputy General Director
Audit Practising Registration Certificate
No. 0030-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

24 April 2019
Hanoi, S.R. Vietnam

Nguyen Luong Tam
Auditor
Audit Practising Registration Certificate
No. 2303-2018-001-1

PART III

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

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VIETNAM ENVIRONMENT PROTECTION FUND

6th Floor, Map Publisher building, No. 85 Nguyen Chi Thanh
Dong Da, Hanoi, Vietnam

STATEMENT OF THE BOARD OF DIRECTORS ON COMPLIANCE

The Board of Directors of Vietnam Environment Protection Fund ("Fund") is responsible for complying with Financing Agreement No. 5175-VN, laws and regulations applicable to the Fund.

The Board of Directors confirms the following:

- An effective internal control has been designed and maintained over compliance with Financing Agreement No. 5175-VN, laws and regulations applicable to the Fund;
- The Fund has complied with Financing Agreement No. 5175-VN, laws and regulations applicable to the Fund that could have a direct and material financial effect on the Fund's financial statements for the year ended 31 December 2018;
- The proceeds of the funds from World Bank were used only for the purpose of Financing Agreement No. 5175-VN;
- The borrowers and executing agencies has complied with the financial covenants of the Agreement.

For and on behalf of the Board of Directors



Nguyen Duc Thuan
Director

Hanoi, 24 April 2019

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

**To: The Boards of Management and Directors
Vietnam Environment Protection Fund**

Report on compliance

We have audited, in accordance with International Standards on Auditing, the financial statements of Vietnam Environment Protection Fund (the "Fund") for the year ended 31 December 2018 and issued the independent auditors' report thereon dated 24 April 2019 expressing an unmodified opinion.

In connection with the audit of the financial statements, we also performed procedures on the Fund's compliance with Financing Agreement No. 5175-VN, laws and regulations that have a direct and material financial effect on the Fund's financial statements for the year ended 31 December 2018 (the "requirements").

Responsibilities of Board of Directors

The Board of Directors is responsible for complying with Financing Agreement No. 5175-VN, laws and regulations applicable to the Fund.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion on Fund's compliance based on the evidence we have obtained. We limited our tests of compliance to the requirements, and we did not test compliance with all laws and regulations applicable to the Fund. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits and Reviews of Historical Financial Information ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether, in all material respects, the Fund has complied with the requirements.

An reasonable assurance engagement in accordance with ISAE 3000 to report on the compliance with the requirements at the Fund involves performing procedures to obtain evidence about whether the Fund's activities are free of material noncompliance with the requirements, including obtaining an understanding of the internal control relevant to the Fund's compliance with the requirements. The procedures selected depend on the auditor's judgment, including the assessment of risks that the Fund does not comply with the requirements and whether such noncompliance could have a direct and material financial effect on the Fund's financial statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are complied by the Fund.

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE (Continued)

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion, as well as our findings as presented in the Management Letter on page 29 to page 33.

Opinion

In our opinion:

- The Fund has complied, in all material respects, with Financing Agreement No. 5175-VN, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the year ended 31 December 2018.
- The proceeds of the funds from World Bank were used only for the purpose of Financing Agreement No. 5175-VN.
- The borrowers and executing agencies has complied with the financial covenants of the Agreement.



Dang Chi Dung
Deputy General Director
Audit Practising Registration Certificate
No. 0030-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

24 April 2019
Hanoi, S.R. Vietnam

Nguyen Luong Tam
Auditor
Audit Practising Registration Certificate
No. 2303-2018-001-1

