

**National Power Transmission Corporation
Transmission Efficiency Project**

Loan Agreement No. 8417-VN

Financial statements

for the year ended 31 December 2018

2019 -06- 3 0



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National Power Transmission Corporation Transmission Efficiency Project

*Established under the Loan Agreement No. 8417-VN between the International Bank for
Reconstruction and Development and the Government of the Socialist Republic of Vietnam*

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PART I

FINANCIAL STATEMENTS

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National Power Transmission Corporation Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

STATEMENT OF THE MANAGEMENT

The Management of National Power Transmission Corporation (“the Corporation”) presents this report together with the financial statements of Transmission Efficiency Project - Loan Agreement No. 8417-VN implemented by the Corporation (“the Project”) as at 31 December 2018 and for the year then ended.

The Management

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

Mr. Nguyen Tuan Tung	General Director	Appointed on 1 June 2018
Mr. Vu Ngoc Minh	General Director	Retired on 1 June 2018
Mr. Vu Tran Nguyen	Deputy General Director	
Mr. Pham Le Phu	Deputy General Director	
Mr. Luu Viet Tien	Deputy General Director	Appointed on 10 September 2018
Mr. Bui Van Kien	Deputy General Director	Appointed on 1 October 2018

The Management’s responsibility in respect of the financial statements

The Management is responsible for preparing the financial statements of the Project, which comprise the balance sheet as at 31 December 2018, the statement of sources and uses of funds, the statement of designated account and statement of withdrawals for the year then ended, 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 and its receipts, disbursements and expenditures for the year then ended, in accordance with the accounting policies set out in Note 3 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 judgements 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 minimize errors and frauds; and take responsibility for its assertion as to the effectiveness of such internal control.

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National Power Transmission Corporation Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

STATEMENT OF THE MANAGEMENT (continued)

Management's responsibility in respect of the financial statements (continued)

The Management is also 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 to the financial statements;
- ▶ using the Project's funds as intended for the Project and for 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 for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Management:



Nguyễn Văn Tung
General Director

27 June 2019

Reference: 61250383/20159653-WB 8417

INDEPENDENT AUDITOR'S REPORT

To: The management of National Power Transmission Corporation

Opinion

We have audited the accompanying financial statements of Transmission Efficiency Project - Loan Agreement No. 8417-VN ("the Project"), as set out from pages 6 to page 16 which comprise the balance sheet as at 31 December 2018, the statement of sources and uses of funds, the statement of designated account and the statement of withdrawals for the year then ended and the notes thereto. The financial statements have been prepared by the management of National Power Transmission Corporation ("the Corporation") in accordance with the accounting policies as described in Note 3 to the financial statements and the Project's 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 Company 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 to the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 3 to the financial statements and the Project's 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 Corporation'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 the management 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



Bùi Anh Tuấn
Deputy General Director
Audit Practising Registration
Certificate No. 1067-2018-004-1

Hanoi, Vietnam

27 June 2019

**National Power Transmission Corporation
Transmission Efficiency Project**

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

BALANCE SHEET
as at 31 December 2018

ITEMS	Notes	Currency: VND	
		Ending balance	Beginning balance
ASSETS			
NON-CURRENT ASSETS			
Project implementing expenditures	5	7,623,431,840,738	6,135,016,197,103
CURRENT ASSETS			
Advance to suppliers	6	141,788,935,750	96,628,647,552
Cash	7	53,988,760,435	120,681,152
TOTAL ASSETS		7,819,209,536,923	6,231,765,525,807
RESOURCES			
LIABILITIES			
Short-term trade payables	8	398,119,131,170	534,864,961,506
Other payables	9	291,636,076,276	459,949,349,453
		106,483,054,894	74,915,612,053
FUNDS			
IBRD fund	10	7,421,090,405,753	5,696,900,564,301
Counterpart fund		4,846,723,208,067	3,775,826,401,390
Foreign exchange reserve		2,575,280,730,113	1,921,096,125,824
		(913,532,427)	(21,962,913)
TOTAL RESOURCES		7,819,209,536,923	6,231,765,525,807


Cao Thi To Uyen
Preparer


Nguyen Nhu Thong
Chief Accountant




Nguyen Tuan Tung
General Director

27 June 2019

**National Power Transmission Corporation
Transmission Efficiency Project**

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

Currency: VND

Contents	For the year ended 31 December 2018			Accumulated to 31 December 2018		
	IBRD fund	Counterpart fund	Total	IBRD fund	Counterpart fund	Total
RECEIPTS						
IBRD fund	1,070,896,806,677	654,184,604,289	1,725,081,410,966	4,846,723,208,067	2,575,280,730,113	7,422,003,938,180
Counterpart fund	1,070,896,806,677	654,184,604,289	1,070,896,806,677	4,846,723,208,067	-	4,846,723,208,067
DISBURSEMENTS						
Construction	1,016,137,157,880	654,184,604,289	1,670,321,762,169	4,791,820,915,205	2,575,280,730,113	7,367,101,645,318
Equipment	637,587,328,770	21,443,703,680	659,031,032,450	3,210,849,820,107	171,292,885,007	3,382,142,705,114
Site clearance	297,390,508,585	26,603,048,549	323,993,557,134	1,191,216,504,405	221,770,176,397	1,412,986,680,802
Others	78,917,103,078	493,893,071,033	493,893,071,033	-	1,781,687,276,251	1,781,687,276,251
Realized foreign exchange difference	2,242,217,447	112,244,781,027	191,161,884,105	388,341,527,814	400,530,392,458	788,871,920,272
			2,242,217,447	1,413,062,879	-	1,413,062,879
EXCESS OF RECEIPTS OVER DISBURSEMENTS	54,759,648,797	-	54,759,648,797	54,902,292,862	-	54,902,292,862
Foreign exchange difference from revaluation of cash balance denominated in foreign currencies	(891,569,514)	-	(891,569,514)	(913,532,427)	-	(913,532,427)
OPENING BALANCE	120,681,152	-	120,681,152	-	-	-
CLOSING BALANCE	53,988,760,435	-	53,988,760,435	53,988,760,435	-	53,988,760,435
Represented by:						
- Cash balance as at 31 December 2018	53,988,760,435	-	53,988,760,435	53,988,760,435	-	53,988,760,435



Nguyen Nhu Thong
Chief Accountant



Cao Thi To Uyen
Preparer

27 June 2019

National Power Transmission Corporation
Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

STATEMENT OF DESIGNATED ACCOUNT
as at 31 December 2018

Period: From 1 January 2018 to 31 December 2018
Account No.: 0011374234274
Depository Bank: Joint Stock Commercial Bank for Foreign Trade of Vietnam, Operations Centre
Address: 31 – 33 Ngo Quyen, Hoan Kiem, Hanoi.

Currency: USD

PART A - ACCOUNT ACTIVITY	Amount
Opening balance	5,325
Add:	
- Total amount deposited by IBRD for the year	41,093,245
Deduct:	
- Total repayable amount withdrawn for the year	38,766,946
Closing balance as at 31 December 2018	2,331,624
PART B - ACCOUNT RECONCILIATION	
1. Total amount advanced by IBRD	17,000,000
2. Deduct: Total amount recovered by the IBRD	5,216,216
3. Outstanding amount advanced to designated account as at 31 December 2018	11,783,784
4. Balance as at 31 December 2018	2,331,624
5. Add: Amount claimed but not yet credited	9,452,160
6. Add: Amount withdrawn but not yet claimed	-
7. Total advances to the designated account as at 31 December 2018	11,783,784


Cao Thi To Uyen
Preparer


Nguyen Nhu Thong
Chief Accountant




Nguyen Tuan Tung
General Director

27 June 2019

**National Power Transmission Corporation
Transmission Efficiency Project**

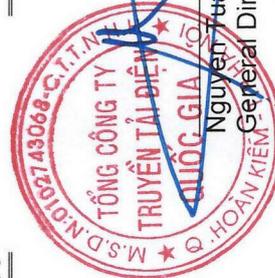
Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

STATEMENT OF WITHDRAWALS
for the year ended 31 December 2018

Borrower Reference	Withdrawal applications		Amount claimed		Amount disbursed		Difference
	Date	Currency	Advance	Total	Date	Amount	
Designated account							
DA-34	1/10/2018	USD	16,994,675	16,994,675	1/17/2018	16,994,675	-
DA-35	8/31/2018	USD	16,202,256	16,202,256	9/14/2018	16,202,256	-
DA-36	12/3/2018	USD	7,896,315	7,896,315	12/5/2018	7,896,315	-
Total			41,093,246	41,093,246		41,093,246	-
Special Commitment							
SC-30	1/19/2018	USD	110,000	110,000	1/19/2018	110,000	-
SC-30	1/19/2018	USD	956,248	956,248	1/19/2018	956,248	-
SC-30	1/19/2018	USD	30,977	30,977	1/19/2018	30,977	-
SC-31	4/9/2018	USD	783,360	783,360	4/9/2018	783,360	-
SC-31	12/18/2018	USD	2,682,611	2,682,611	12/18/2018	2,682,611	-
SC-32	4/9/2018	USD	726,000	726,000	4/9/2018	726,000	-
Total			5,289,196	5,289,196		5,289,196	-


Cao Thi To Uyen
Preparer


Nguyen Nhu Thong
Chief Accountant




Nguyen Tuan Tung
General Director

27 June 2019

National Power Transmission Corporation

Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

1. GENERAL INFORMATION

Transmission Efficiency Project ("the Project") operates under the Loan Agreement No. 8417-VN signed on 12 November 2014 between the Government of the Socialist Republic of Vietnam and the International Bank for Reconstruction and Development ("IBRD").

The total financing requirement for the Project is estimated at USD 731.25 million, of which USD 500 million will be funded by IBRD, the World Bank Group's lending arm for middle-income countries. The remaining USD 231.25 million will be financed by the National Power Transmission Corporation ("the Corporation").

The objective of the Project is to improve the capacity, efficiency and reliability of electricity transmission in selected parts of the electricity transmission network in the territory of Vietnam. The Project is expected to be completed at 31 December 2019.

The proposed Project is comprised of the following three parts as follows:

Part 1: Enhancing Transmission Infrastructure

This comprises investments for transmission lines and substations at voltage levels of 220 kV and 500 kV. The investments will target areas that are key to the overall economic development of Vietnam, namely Hanoi, Ho Chi Minh City, the Mekong Delta and Central Region. Investments at the 500 kV level will help increase the transport capacity of the main 500 kV trunk system while increasing its reliability. Investments at the 220 kV level are aimed at increasing the capacity of the supply points to the distribution utilities and improve the reliability of the network that serves these points. The component will roughly finance 15% of Vietnam's transmission network growth during the period 2015-2020 by targeting key investment needs in major areas of economic development and where transmission overloads are already present or will happen in the very short-term given continuous demand growth.

Part 2: Developing Smart Grid Network

This comprises investments for monitoring, controlling, and protecting equipment in 500 kV and 220 kV substations to improve the reliability of the interconnected power system as a whole and of some bulk-supply points in the distribution network. The project will also support the Corporation in upgrading the information system for operation and equipment management and establishing a data and metering system. Nowadays, 60 percent of the faults in substations are a consequence of faulty operations of monitoring, control, and protecting equipment. Aided by monitoring and controlling gear, protection equipment: (i) detects - among other things - the locations and intensity of faults and, based on such information, determines what equipment should be disconnected to protect the system from damage; and (ii) decides when disconnected equipment should be reconnected to ensure that interruptions in the provision of electricity services are minimized.

Based on a substation modernization strategy that includes the use of recently adopted international interoperability standards and anchored to the Smart Grid roadmap approved by the Ministry of Industry and Trade, this component will help upgrade five 500 kV substations and eleven 220 kV substations. The modernization process includes replacement or upgrade of monitoring, control, protection, and other ancillary equipment such as cables, fixtures and other minor equipment inside the substations. With this intervention, the reliability of critical 500 kV and 220 kV substations will be improved contributing to the overall reliability of the 500 kV systems.

National Power Transmission Corporation Transmission Efficiency Project

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

1. GENERAL INFORMATION (continued)

Part 3: Capacity Building

This comprises investments for the gradual development of the Corporation to become an independent transmission company with revenues from the application of performance-based regulation in the transmission sector and support the efficient implementation of the overall power sector reform. This is critical for the next phase of the power sector reform program that aims to start piloting wholesale competitive market by 2015. The Corporation's performance is not yet tracked and audited in a way that can be used to fully comply with the existing transmission pricing regulations. This component will help the Corporation establish the system needed to track performance regularly and effectively.

The technical capacity building and technical assistance sub-components will be implemented as part of the Project comprises the improvement of the Corporation's Asset Management System ("AMS").

2. BASIS OF PREPARATION

The Project's financial statements, except for the statement of designated account and the statement of withdrawals, are expressed in Vietnamese Dong ("VND"). The statement of designated account and the statement of withdrawals are expressed in United States Dollars ("USD").

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

National Power Transmission Corporation

Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Contribution from IBRD

Contribution from IBRD is recognized when IBRD fund is deposited to the Project's designated account which is managed by the Corporation.

Contribution from Counterpart fund

Receipts of Counterpart funds are recognized when disbursements are made through the bank accounts of the Corporation and its project management boards on behalf of the Project.

Disbursements

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

Project implementing expenditure

Project implementing expenditure is recognized for amounts paid and to be paid in the future for goods and services received, whether or not billed to the Project, and interest expenses during implementation.

Cash

Cash includes cash at the designated account.

Advances to suppliers

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

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 period 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 into VND at the 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.

National Power Transmission Corporation

Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

4. DESIGNATED ACCOUNT

Designated account is a deposit in USD which was opened at Joint Stock Commercial Bank for Foreign Trade of Vietnam, Transaction Centre for the implementation of the Project's activities. Payments out of the designated account are paid for Project's expenditures in accordance with the Loan Agreement No. 8417-VN and relevant regulations established by the IBRD.

5. PROJECT IMPLEMENTING EXPENDITURES

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Construction expenses	3,133,028,358,267	2,707,714,247,919
Equipment	1,385,337,873,138	1,280,866,091,944
Value added tax deductible from disbursements using IBRD funds	317,786,304,992	272,651,822,077
Site clearance expenses	1,717,245,621,087	1,206,554,950,558
Other expenses (*)	<u>1,070,033,683,254</u>	<u>667,229,084,605</u>
TOTAL	<u>7,623,431,840,738</u>	<u>6,135,016,197,103</u>

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

6. ADVANCE TO SUPPLIERS

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Advance to related parties (Note 12)	11,735,759,356	5,111,641,447
Advance to other suppliers	130,053,176,394	91,517,006,105
<i>In which:</i>		
<i>Thanh Long Group., JSC</i>	27,606,778,779	-
<i>Song Da No 11., JSC</i>	19,947,006,557	4,765,615,729
<i>Siemens Transformer (Guangzhou) Co., Ltd</i>	17,880,192,000	-
<i>Power Construction Installation Co., Ltd No. 2</i>	4,929,714,871	44,357,768,326
<i>Others</i>	<u>59,689,484,187</u>	<u>42,393,622,050</u>
TOTAL	<u>141,788,935,750</u>	<u>96,628,647,552</u>

7. CASH

	<i>Currency: VND</i>			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>USD</i>	<i>VND equivalent</i>	<i>USD</i>	<i>VND equivalent</i>
Designated account	2,331,624	53,988,760,435	5,325	120,681,152

National Power Transmission Corporation

Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

8. SHORT-TERM TRADE PAYABLES

	Currency: VND	
	Ending balance	Beginning balance
Short-term trade payables to related parties (Note 12)	21,840,945,068	12,072,631,530
Short-term trade payables to other suppliers	269,795,131,208	447,876,717,923
In which:		
Viettronics Corporation	20,803,388,474	77,153,854,360
Power Construction Installation Limited Company No. 4	24,174,435,764	72,334,185,768
Siemens., Ltd	85,106,756,165	12,843,080,843
Power Construction Installation Limited Company No.2	31,891,002,169	-
Others	107,819,548,636	285,545,596,952
TOTAL	291,636,076,276	459,949,349,453

9. OTHER PAYABLES

	Currency: VND	
	Ending balance	Beginning balance
Accrued interest expenses	35,044,037,174	11,499,927,189
Payment on behalf (i)	71,439,017,720	63,415,684,864
TOTAL	106,483,054,894	74,915,612,053

(i) This represents payables to the Corporation for the payments made on behalf of the Project and was outstanding at balance sheet date.

10. IBRD FUND

	Currency: VND			
	<u>For the year ended 31 December 2018</u>		<u>Accumulated to 31 December 2018</u>	
Currency	Original currency	VND equivalent	Original currency	VND equivalent
USD	46,382,442	1,070,896,806,677	214,229,641	4,846,723,208,067

11. COMMITMENTS

As at 31 December 2018, the outstanding value of contracts for consulting services, construction and procurement of materials and equipment signed with suppliers was approximately VND 1,702 billion.

National Power Transmission Corporation Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

12. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Project entered into the following significant transactions with related parties:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature</i>	<i>Currency: VND</i>	
			<i>Current year</i>	<i>Previous year</i>
Power Engineering Consulting Joint Stock Company No. 1	Under common owner	Design and consultant fee	25,602,302,489	35,287,663,526
Power Engineering Consulting Joint Stock Company No. 3	Under common owner	Design and consultant fee	7,519,622,668	8,225,422,676
Power Engineering Consulting Joint Stock Company No. 4	Under common owner	Design and consultant fee	7,162,949,041	1,049,401,934
Power Engineering Consulting Joint Stock Company No. 2	Under common owner	Design and consultant fee	1,337,370,530	3,255,692,832
Dong Anh Electrical Equipment Corporation	Under common owner	Purchase of materials, equipment	-	41,720,000,000

Outstanding balance due from and to related parties at the balance sheet dates was as follow:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature</i>	<i>Currency: VND</i>	
			<i>Ending balance</i>	<i>Beginning balance</i>
Advance to suppliers (Note 6)				
Power Engineering Consulting Joint Stock Company No. 1	Under common owner	Advance for design and consultant fee	9,427,375,264	2,000,000,000
Power Engineering Consulting Joint Stock Company No. 3	Under common owner	Advance for design and consultant fee	1,064,566,017	1,867,823,372
Power Engineering Consulting Joint Stock Company No. 5	Under common owner	Advance for design and consultant fee	675,068,075	675,068,075
Power Engineering Consulting Joint Stock Company No. 4	Under common owner	Advance for design and consultant fee	568,750,000	568,750,000
TOTAL			<u>11,735,759,356</u>	<u>5,111,641,447</u>

National Power Transmission Corporation Transmission Efficiency Project

Established under the Loan Agreement No. 8417-VN between the International Bank for Reconstruction and Development and the Government of the Socialist Republic of Vietnam

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

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Outstanding balance due from and to related parties at the balance sheet dates was as follow (continued):

			Currency: VND	
Related parties	Relationship	Nature	Ending balance	Beginning balance
Short-term trade payables (Note 8)				
Power Engineering Consulting Joint Stock Company No. 1	Under common owner	Design and consultant fee	16,564,858,167	7,045,681,858
Power Engineering Consulting Joint Stock Company No. 4	Under common owner	Design and consultant fee	4,228,161,372	239,218,374
Power Engineering Consulting Joint Stock Company No. 3	Under common owner	Design and consultant fee	819,913,745	902,177,694
Power Engineering Consulting Joint Stock Company No. 2	Under common owner	Design and consultant fee	228,011,784	3,885,553,604
TOTAL			<u>21,840,945,068</u>	<u>12,072,631,530</u>

13. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance date that requires adjustment or disclosure in the financial statements of the Project.


Cao Thi To Uyen
Preparer


Nguyen Nhu Thong
Chief Accountant




Nguyen Tuan Tung
General Director

27 June 2019

PART II

INDEPENDENT ASSURANCE REPORT ON THE EFFECTIVENESS OF INTERNAL
CONTROL

Reference: 61250383/20159653-WB 8417

INDEPENDENT ASSURANCE REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL

To: The management of National Power Transmission Corporation

We have audited the design and operating effectiveness of the internal control of the Transmission Efficiency Project - Loan Agreement No. 8417-VN ("the Project") as operated by National Power Transmission Corporation ("the Corporation") 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 management of the Corporation.

Auditor's 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 period 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 ("PFMM");
- ▶ 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 PFMM, that the funds are utilized for the purposes defined in the Loan Agreement and that the Project complies with the Loan Agreement, PFMM and other laws and regulations applicable to the Project.

We believe that our audit provides a reasonable 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 Appendix 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:



CÔNG TY
TNHH
ERNST & YOUNG
VIỆT NAM
CHI NHÁNH
HÀ NỘI

Bùi Anh Tuấn
Deputy General Director
Audit Practicing Registration
Certificate No. 1067-2018-004-1

Hanoi, Vietnam

27 June 2019

PART III

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

Reference: 61250383/20159653-WB 8417

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

To: The Management of National Power Transmission Corporation

We have examined the compliance of the management of National Power Transmission Corporation ("the Corporation") in relation to the implementation of the Transmission Efficiency Project - Loan Agreement No. 8417-VN ("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 Bank for Reconstruction and Development ("IBRD") ("Loan Agreement") during the year ended 31 December 2018. The management of the Corporation is responsible for the compliance with the Loan Agreement, the Project's Financial Management Manual ("PFMM") and other laws and regulations applicable to the Project (collectively referred to as "the Project's regulations").

Auditor's 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") insofar 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 the 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 the Corporation's management fails to comply with one or several requirements in the Project's regulations that could have a direct and material financial effect to the financial statements.

We believe that our examination provides a reasonable basis for our opinion.

Opinion

In our opinion, the Project 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 during the year 31 December 2018 based on the evaluating criteria above.

Other matters

We draw attention to Appendix 1 – Management letter in which we discussed certain 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 Project's compliance 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:



CÔNG TY
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Bùi Anh Tuấn
Deputy General Director
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Hanoi, Vietnam

27 June 2019