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**VIETNAM ELECTRICITY  
SOUTHERN POWER CORPORATION**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS**

**For the year ended 31 December 2015**

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*(Prepared in accordance with International Financial Reporting Standards)*

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Southern Power Corporation (the "Parent Company") and its subsidiaries (the Parent Company and the subsidiaries herein refers as the "Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2015.

### THE BOARD OF DIRECTORS

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

Mr. Nguyen Van Hop	General Director
Mr. Pham Ngoc Le	Deputy General Director
Mr. Nguyen Cong Hau	Deputy General Director
Mr. Nguyen Phuoc Duc	Deputy General Director
Mr. Ho Quang Ai	Deputy General Director

### THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Corporation is responsible for preparing the consolidated financial statements which give a true and fair view of the consolidated financial position of the Corporation and of its results and cash flows for the year in accordance with International Financial Reporting Standards. In preparing these consolidated 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 consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated 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 consolidated financial position of the Corporation and to ensure that the consolidated financial statements comply with International Financial Reporting Standards. The Board of Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Directors,



**Nguyen Van Hop**  
**General Director**

24 June 2016  
Ho Chi Minh City, S. R. Vietnam

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No. 056 /VNIA-HC-BC

A JOURNEY TO EXCELLENCE

## INDEPENDENT AUDITORS' REPORT

To: **The Board of Directors of Southern Power Corporation**

We have audited the accompanying consolidated financial statements of Southern Power Corporation (the "Parent Company") and its subsidiaries (the Parent Company and the subsidiaries herein refers as the "Corporation"), prepared on 24 June 2016 as set out from page 4 to 42, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Basis for Qualified opinion*

#### Limitation on audit scope

As at 31 December 2015, the Corporation recognized the revaluation reserve as a result of revaluations of its property, plant and equipment and decided to start making depreciation from 01 January 2013. These revaluations were performed by independent appraisers in compliance with the regulations issued by the Ministry of Finance and the Vietnamese Government, and the regulations do not require the appraisers to apply the discounted cash flow method or other generally accepted revaluation methods. We were unable to satisfy ourselves as to the reliability of revaluation result by means of other audit procedures because we were unable to satisfy ourselves as to the audit evidence of the revaluation method, competence, capabilities and objectivity of the independent appraisers.

## INDEPENDENT AUDITORS' REPORT (Continued)

### *Basis for Qualified opinion (Continued)*

Due to the above reasons, we were unable to satisfy ourselves as to the revaluated amount and the related depreciation expense of those assets by means of other audit procedures. The effects on the consolidated financial statements due to the revaluations have not been determined.

### Departure from International Financial Reporting Standards

The Corporation carried its financial assets at cost or face value less a provision for impairment if necessary and carried financial liabilities at face value less payments made on principal without regard for changes in fair value or amortized cost of the instruments. International Accounting Standard (IAS) No. 39 - Financial Instruments: Recognition and Measurement and International Financial Reporting Standard (IFRS) No. 13 - Fair value measurement require that financial assets and liabilities to be carried at fair value or amortized cost, using the effective interest method, depending on the instruments classification and define the required associated with financial instruments. In addition, the Corporation's consolidated financial statements did not provide sufficient information as required by International Accounting Standard (IAS) No. 32 - Financial Instruments: Presentation and International Financial Reporting Standard (IFRS) No. 7 - Financial Instruments: Disclosures. We were unable to determine the effects of the departure from International Financial Reporting Standards on the Corporation's consolidated financial statements.

### *Qualified opinion*

In our opinion, except for the effects of the matters described in the "Basis for Qualified opinion" paragraphs, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2015, and of its consolidated statement of profit or loss and other comprehensive income, its consolidated statement of changes in equity and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Nguyen Quang Trung**  
**Audit Partner**

Audit Practising Registration Certificate  
No. 0733-2013-001-1

*For and on behalf of*

**Deloitte Vietnam Company Limited**

24 June 2016

*Ho Chi Minh City, S.R. Vietnam*

**Kieu Phi**  
**Auditor**

Audit Practising Registration Certificate  
No. 3190-2015-001-1

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2015

	Notes	2015 VND'000	2014 VND'000
Revenue	5	79,652,690,557	67,060,567,048
Cost of sales	6	(75,507,778,577)	(63,847,246,155)
<b>Gross profit</b>		<b>4,144,911,980</b>	<b>3,213,320,893</b>
Investment income	7	50,703,389	69,222,343
Other (losses)/gain	8	(215,858,096)	70,745,951
Distribution expenses	9	(1,543,530,149)	(1,244,756,130)
Administration expenses	10	(2,129,437,160)	(1,806,738,578)
Other expenses		(54,169,250)	(23,533,909)
Finance costs	11	(173,833,961)	(157,558,628)
Share of profit of associates	15	156,997,740	165,586,176
<b>Profit before tax</b>		<b>235,784,493</b>	<b>286,288,118</b>
Income tax expense	12	(99,563,732)	(109,926,396)
<b>Profit for the year</b>		<b>136,220,761</b>	<b>176,361,722</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>136,220,761</b>	<b>176,361,722</b>
Total comprehensive income attributable to:			
Owners of the Corporation		122,333,412	173,287,396
Non-controlling interests	23	13,887,349	3,074,326
		<b>136,220,761</b>	<b>176,361,722</b>

Preparer

Chief Accountant

General Director

Nguyen Thi Kieu Oanh

Hoang Minh Dung

Nguyen Van Hop  
24 June 2016



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31/12/2015 VND'000	31/12/2014 VND'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	21,326,229,482	19,395,812,168
Financial lease assets		460,618	610,618
Other intangible assets	14	146,049,469	150,946,239
Investment in associates	15	1,001,911,160	1,018,601,573
Trade and other receivables		67,032	152,440
Deferred tax assets		-	66,826
Other financial assets	16	130,461,457	204,318,753
Other assets	17	850,522,500	684,233,078
<b>Total non-current assets</b>		<b>23,455,701,718</b>	<b>21,454,741,695</b>
<b>Current assets</b>			
Inventories	18	643,400,879	685,863,485
Trade and other receivables	19	897,252,935	1,134,926,340
Current tax assets	20	273,063,177	203,693,632
Other assets		8,616,452	11,238,967
Cash and bank balances	21	6,731,576,888	6,762,942,381
<b>Total current assets</b>		<b>8,553,910,331</b>	<b>8,798,664,805</b>
<b>TOTAL ASSETS</b>		<b>32,009,612,049</b>	<b>30,253,406,500</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2015

EQUITY AND LIABILITIES	Notes	31/12/2015 VND'000	31/12/2014 VND'000
<b>Capital and reserves</b>			
Capital	22	8,271,673,507	7,691,566,896
Funds and reserves	22	5,652,367,243	5,702,267,850
Retained earnings		257,649,641	146,958,218
Equity attributable to owner of the Parent Company		14,181,690,391	13,540,792,964
Non-controlling interests	23	62,796,223	73,845,628
<b>Total equity</b>		<b>14,244,486,614</b>	<b>13,614,638,592</b>
<b>Non-current liabilities</b>			
Trade and other payables		28,844,380	-
Borrowings	24	8,019,617,691	7,303,492,627
Other liabilities		53,222,484	20,803,998
<b>Total non-current liabilities</b>		<b>8,103,620,555</b>	<b>7,324,296,625</b>
<b>Current liabilities</b>			
Trade and other payables	25	9,089,226,816	8,798,374,413
Borrowings	26	527,916,124	470,634,848
Current tax liabilities	27	44,361,940	45,462,022
<b>Total current liabilities</b>		<b>9,661,504,880</b>	<b>9,314,471,283</b>
<b>Total liabilities</b>		<b>17,765,125,435</b>	<b>16,638,767,908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,009,612,049</b>	<b>30,253,406,500</b>

Preparer

Chief Accountant

General Director



Nguyen Thi Kieu Oanh



Hoang Minh Dung




Nguyen Van Hop  
24 June 2016

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2015

	Capital VND'000	Funds and reserves VND'000	Retained earnings VND'000	Non-controlling interest VND'000	Total VND'000
Balance as at 1 January 2014	7,189,306,525	5,739,747,503	32,745,200	13,365,700	12,975,164,928
Additional capital injected	513,668,425	-	-	-	513,668,425
Profit for the year	-	-	173,287,396	3,074,326	176,361,722
Appropriations from retained earnings	-	54,879,460	-	-	54,879,460
Transfer between capital and funds	-	(90,456,935)	(54,716,799)	-	(145,173,734)
Transfer to other entities	(6,976,705)	-	-	-	(6,976,705)
Transferred to EVN	(258,939)	-	-	-	(258,939)
Acquisition fixed assets	-	(1,365,048)	-	-	(1,365,048)
Consolidation adjustments	-	-	-	59,275,824.00	59,275,824
Others	(4,172,410)	(537,130)	(4,357,579)	(1,870,222)	(10,937,341)
<b>Balance as at 31 December 2014</b>	<b>7,691,566,896</b>	<b>5,702,267,850</b>	<b>146,958,218</b>	<b>73,845,628</b>	<b>13,614,638,592</b>
Additional capital injected	556,255,197	-	-	-	556,255,197
Profit for the year	-	-	122,333,412	13,887,349	136,220,761
Appropriations from retained earnings	-	48,350,891	(48,350,891)	-	-
Transfer between capital and funds	66,000,000	(66,000,000)	-	-	-
Transfer to other entities	(33,753,118)	-	-	-	(33,753,118)
Adjust the fund allocation prior year	-	(25,937,254)	25,937,254	-	-
Acquisition fixed assets	-	(3,189,936)	-	-	(3,189,936)
Consolidation adjustments	-	-	-	(24,936,754)	(24,936,754)
Others	(8,395,468)	(3,124,308)	10,771,648	-	(748,128)
<b>Balance as at 31 December 2015</b>	<b>8,271,673,507</b>	<b>5,652,367,243</b>	<b>257,649,641</b>	<b>62,796,223</b>	<b>14,244,486,614</b>

Preparer

Chief Accountant

General Director

Nguyen Thi Kieu Oanh

Hoang Minh Dung

Nguyen Van Hop  
24 June 2016



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended 31 December 2015

	2015 VND'000	2014 VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit after tax	136,220,761	176,361,722
<i>Adjustments for:</i>		
Income tax expense	99,563,732	109,926,396
Share of profit of associates	(156,997,740)	(165,586,176)
Finance cost	173,833,961	157,558,628
Investment income	(50,703,389)	(69,222,343)
Changes in provision for obsolete stocks	(8,750,306)	3,839,635
Changes in provision for bad debts	(2,308,989)	(2,108,288)
Changes in provision for impairment of long-term investment	4,033,497	8,402,617
Gain on disposal of an investment	-	(14,418,705)
Gain on disposal of fixed assets	(14,387,580)	(2,108,779)
Loss/(gain) from foreign currency revaluation	297,071,583	(22,300,318)
Depreciation and amortization	3,993,781,575	2,836,839,738
	<u>4,471,357,105</u>	<u>3,017,184,127</u>
Changes in trade and other receivables	(552,046,288)	126,485,120
Changes in inventories	1,077,061,416	1,232,356,345
Changes in other current assets	(786,415,638)	(580,470,317)
Changes in trade and other payables	1,049,624,392	484,778,485
Changes in other liabilities	(247,093,799)	(156,471,667)
<b>Cash generated from operations</b>	<u>5,012,487,188</u>	<u>4,123,862,093</u>
Corporate income tax paid	(163,471,906)	(50,156,757)
Interest paid	(159,293,762)	(126,581,849)
<b>Net cash generated by operating activities</b>	<u>4,689,721,520</u>	<u>3,947,123,487</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Interest, dividend received	164,405,332	115,094,097
Payments for property, plant and equipment	(5,453,975,893)	(5,590,246,249)
Proceeds from disposal of property, plant and equipment	570,751	14,166,197
Investment in associates and other long-term investments	-	(6,348,458)
Cash recovered from lending	92,034,085	70,368,984
<b>Net cash used in investing activities</b>	<u>(5,196,965,725)</u>	<u>(5,396,965,429)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital injected	15,479,016	32,913,068
Proceeds from borrowings	1,970,031,360	2,298,721,885
Repayment of borrowings	(1,515,374,607)	(441,680,190)
<b>Net cash generated by financing activities</b>	<u>470,135,769</u>	<u>1,889,954,763</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(37,108,436)</u>	<u>440,112,821</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>6,762,942,381</u>	<u>6,318,795,855</u>
<b>Effects from foreign exchanges differences</b>	<u>5,742,943</u>	<u>4,033,705</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>6,731,576,888</u>	<u>6,762,942,381</u>

Preparer

Chief accountant

General Director

Nguyen Thi Kieu Oanh

Hoang Minh Dung

Nguyen Van Hop

24 June 2016

The accompanying notes set out on pages 9 to 42 are an integral part of these consolidated financial statements



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

The Corporation includes Parent Company and its subsidiaries, details are as follow:

Parent Company

The Parent Company was founded pursuant to Decision No.06 VN/TCCB-LD dated 3 May 1995 by the Chairman of Vietnam Electricity (“EVN”).

On 5 February 2010, Ministry of Industry and Trade issued Decision No.799/QD-BCT regarding to establishment Southern Power Corporation, a One-Member Limited Company, in which EVN holds 100% charter capital, on the basis of re-organization of the Power Company No. 2 and acquisition the representative State - owned capital share of EVN in Dong Nai Power Company Limited. Accordingly, the Parent Company officially transforms into One-Member Limited Company and operates under form of Parent company - Subsidiary company as the Investment License No.0300942001 dated on 7 April 2010 issued by the Department of Planning and Investment of Ho Chi Minh City and amended.

The head office of the Parent Company is at No. 72, Hai Ba Trung Street, District 1, Ho Chi Minh City, S.R. Vietnam.

The number of the Parent Company’s employees as at 31 December 2015 is 19,485 (31 December 2014: 21,337)

The main operation of the Parent Company is to provide electricity in twenty provinces, from Ninh Thuan Province to Ca Mau Province excluding Ho Chi Minh City and the Parent Company also involved in other business activities such as construction of electrical network improvements, electricity installation, repair and testing of electricity facilities, power stations construction tender, electricity equipment rental services and related activities.

The Parent Company has 24 units, which includes 20 provincial power companies, 3 units in related fields and 1 Project Management Unit (Southern Electric Project Management).

Subsidiaries

- Dong Nai Power Company Limited (“DNPC”) is a State - owned enterprise, in which the Southern Power Company holds 100% charter capital. The Company was established pursuant to Decision No. 32/1999/QD-BCN dated 3 June 1999 issued by the Ministry of Industry of Vietnam. The Company has transferred its operation into a one member limited company under the Decision No. 1309/QD-TTg dated on 10 October 2006 of Prime Minister, and Decision of transfer charter capital No. 488/QD-EVN-HDQT dated 8 September 2006 of the Board of Management of EVN and under the Business Certificate Registration No. 3600432744 issued by the Dong Nai Province’s Department of Planning and Investment on 5 July 2007 and amended.

The main operation of DNPC is to provide electricity in Dong Nai Province, but it also participates in other business activities such as construction of electrical network improvements, electricity installation, repair and testing of electricity facilities, power stations construction tender, electricity equipment rental services, consulting and constructing electrical network with low voltage up to 110KV, telecommunication services and related activities, office leasing, insurance agency, and transportation service.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

- Dong Nai Electric Mechanical Power Joint Stock Company (“DNEPC”) is incorporated in Vietnam under the Investment Certificate No. 470300618 dated 29 December 2008 issued by the Dong Nai Province’s Planning and Investment Department with the charter capital is VND 11 billion. As at 31 December 2012, the charter capital has been fully contributed by DNPC which is accounted for 51% of total charter capital equaled to 51% its voting power. The main operation of DNEPC is to participate in activities such as maintenance of electrical equipment, repair and testing of electricity facilities, power stations construction tender, electricity equipment rental services, consulting and constructing electrical network with low voltage up to 110KV, telecommunication services and related activities, insurance agency, transportation service.

According to the meeting minute dated 15 September 2015 of the Board of Directors of DNPC about the adoption of the charter capital increasing and equity ownership percentage decreasing in DNEPC. As at 31 December 2015, DNPC has reduced the percentage of ownership in DNEPC from 51% the power to 44.88%. Accordingly, the investment in DNEPC is classified as investments in associated after DNPC lost the controlling right at DNEPC.

DNPC registered offices are located at 1 Nguyen Ai Quoc Street, Tan Hiep Ward, Bien Hoa City, Dong Nai Province, S.R. Vietnam.

- Southern Power Engineering Consulting Company Limited (“SPC PEC”) is a State owned enterprise, in which the Southern Power Company holds 100% charter capital. SPC PEC is incorporated in Vietnam under the Investment Certificate No. 0311423538 dated 19 December 2011 issued by the Department of Planning and Investment of Ho Chi Minh City with charter capital is VND 9 billion.

According to Decision No. 2289/QD-BTC dated 4 May 2012 issued by Ministry of Industry and Trade guidance about the result of revaluation of fixed asset as at 1 July 2011, an amount of VND 3,494,293,823 was accounted to increasing the SPC PEC’s capital in year.

SPC PEC was transformed from a branch of Southern Power Corporation according to Decision No. 541/QD-EVN issued by EVN dated in 6 September 2011.

The main operation of SPC PEC are survey, design, supervise electrical projects and trading electrical equipment.

SPC PEC’s registered offices are located at 1D-1E Ba Trieu Street, District 5, Ho Chi Minh City, S.R. Vietnam.

- Vi-na-si-no Electrical Equipment Joint Stock Company (“Vi-na-si-no”):

Vi-na-si-no is a joint stock company, established in Vietnam for a period of 50 years under the Business Registration Certificate and Tax Registration Code 1100883174 for joint stock company, the first registration dated 15 December 2008 issued by Department of Planning and Investment of Long An Province and Investment License No. 502032000114 dated 23 December 2008 issued by Long An Province Industrial Park Management Board (now is Long An Province Economic Zone Management Board), then Investment License No. 5020320001 dated 27 October 2009 replaced Investment License No. 50221000112 and its fourth amendment dated 25 Feb 2014 with charter capital of VND 115.5 billion.

Founder shareholders include:

- Zhejiang Power Investment ( China ) Co., Ltd., headquartered at No. 109 Zhongshan North Road, Hangzhou City, Zhejiang Province, China, held 4,504,500 shares (corresponding to 39% charter capital)
- Southern Power Corporation held 5,197,500 shares (corresponding to 45% of charter capital).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

- Ho Chi Minh City Power Investment Trading Joint Stock Company, headquartered at 62 Le Quoc Hung, Ward 12, District 4, Ho Chi Minh City, held 693,000 shares (corresponding to 6% charter capital).
- Dong Nai Power Company Limited held 577,500 shares (corresponding to 5% of charter capital).
- Khanh Hoa Power Corporation, headquartered at No. 11 Ly Thanh Ton Street Van Hanh Ward, Nha Trang City, Khanh Hoa Province, held 577,500 shares (corresponding to 5% of charter capital).

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**2.1 Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Corporation has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 January 2015.

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

The Corporation has applied the amendments for the first time in the current year. Prior to the amendments, the Corporation accounted for discretionary employee contributions to defined benefit plan as a reduction of the service cost when contributions were paid to plans, and accounted for the employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Corporation to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Corporation recognises the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Corporation's financial statements.

**Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle**

The Corporation has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments. The application of the other amendments has had no impact on the disclosures or amounts recognised in the Corporation's financial statements.

The amendments to IFRS 2 is to clarify the definitions of “vesting condition” and “market condition” to ensure the consistent classification of conditions attached to share-based payments. It also adds definitions for “performance condition” and “service condition” which were previously included as part of the definition of “vesting condition”. Specifically:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

- For “market condition”, the amendment indicates that it is a performance condition that relates to the market price or value of the entity’s equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service.
- For “performance condition”, the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity’s own operations or activities of another entity in the same group.

The amendment requires prospective application, i.e. entities should apply the amendment prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments do not include any effective date because they are just to clarify the intended meaning in the basis for conclusion.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in the manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity’s employees or directors is not required.

The application of these amendments has had no material impact on the Corporation’s financial statements.

**2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective**

The Corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations<sup>1</sup></i>
Amendments to IAS 1	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>1</sup></i>
IFRS 16	<i>Leases<sup>3</sup></i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2012 - 2014 Cycle<sup>1</sup></i>

1. Effective for annual periods beginning on or after 01 January 2016, with earlier application permitted
2. Effective for annual periods beginning on or after 01 January 2018, with earlier application permitted
3. Effective for annual periods beginning on or after 01 January 2019, with earlier application permitted

***IFRS 9 Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

***Key requirements of IFRS 9:***

All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>1</sup></i>
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Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>1</sup></i>
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 to the Corporation’s financial statements in the future until a detailed review is completed.

***IFRS 15 Revenue from Contracts with Customers***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

It is not practicable to provide a reasonable estimate of the effect of IFRS 15 to the Corporation’s financial statements in the future until a detailed review is completed.

***Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 01 January 2016. The Board of Directors of the Corporation anticipates that the application of these amendments to IFRS 11 may result in no impact on the Corporation's financial statements because the Corporation does not have such transactions.

***Amendments to IAS 1 Disclosure Initiative***

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 01 January 2016. The Board of Directors of the Corporation anticipates that the application of these amendments to IAS 1 may result in no material impact on the Corporation's financial statements.

***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 01 January 2016. Currently, the Corporation uses the straight-line method for depreciation and amortisation of its property, plant and equipment, and intangible assets respectively. The Corporation's Board of Director believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and, accordingly, anticipates that the application of these amendments to IAS 16 and IAS 38 may result in no material impact on the Corporation's financial statements.

***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The Board of Directors of the Corporation anticipates that the application of these amendments to IAS 16 and IAS 41 may result in no material impact on the Corporation's financial statements as the Corporation is not engaged in agricultural activities.

***Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Board of Directors of the Corporation anticipates that the application of these amendments to IFRS 10 and IAS 28 may result in no impact on the Corporation's financial statements because the Corporation does not have such transactions.

***Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception***

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The Board of Directors of the Corporation anticipates that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 may result in no impact on the Corporation's financial statements because the Corporation does not have such transactions.

***IFRS 16 Leases***

The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 "Leases". IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 01 January 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

It is not practicable to provide a reasonable estimate of the effect of IFRS 16 to the Corporation's financial statements in the future until a detailed review is completed.

***Annual Improvements to IFRSs 2012 -2014 Cycle***

The *Annual Improvements to IFRSs 2012 - 2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be instead.

The Board of Directors of the Corporation anticipates that the application of these amendments may result in no material effect on the Corporation's financial statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) except for the revaluation of certain non-current assets which was not performed for the entire class of fixed assets revalued; disclosure, presentation, measurement and recognition of financial instruments.

**Basis of preparation**

The consolidated financial statements are presented in thousand Vietnam Dong (“VND’000”) since that is the currency in which the majority of the Corporation’s transactions are denominated. This is also the functional currency of the Corporation.

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Corporation.

When the Corporation loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Corporation had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**Investments in associates**

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Corporation's share of the profit or loss and other comprehensive income of the associate. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Corporation's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Corporation entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Corporation's consolidated financial statements only to the extent of interests in the associate that are not related to the Corporation.

**Revenue recognition**

At the Corporation's component entities and subsidiaries level, revenue is recorded based on invoiced sales of goods or services supplied. At the Corporation, revenue represents the aggregate of all component sums generated by its component entities and subsidiaries. Sales of electricity between the Corporation's component entities and subsidiaries are recognized as inter-company transactions and accordingly eliminated from the consolidated financial statements.

The Corporation and its component entities apply the electricity tariff rates set by the Ministry of Industry and Government Pricing Authority. Revenue from sales of electricity is recognised when meters are read and measured based on power usage.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are recognised as assets of the Corporation at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and liability to ensure a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in consolidated statement of profit or loss. Financial asset is two printing machines which are depreciated within three years.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**Foreign currencies**

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

**Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Fixed assets and depreciation**

Fixed assets are stated in term of cost or revaluated balances, net of applicable accumulated depreciation and impairment. Certain fixed assets which have been in use for a long time have been revalued in accordance with the regulations issued by the State. Resulting differences from revaluation were accounted for under equity.

Any increase arising from the revaluation of the Corporation's fixed assets is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated statement of profit or loss and other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of Corporation's fixed assets is charged as an expense to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset.

The closing construction in progress balance represents the cost of construction work carried out by the Corporation's component entities and Construction/Project Management Units. Such costs include the total expenses actually incurred during the period with respect to self-constructed items, and payments actually made on the completed stages or transferred work for contracted out projects, including loan interest expenses which related appropriately with the Corporation's accounting policies, if any. Upon the completion of such work items with their cost approved or certified by Vietnam Electricity or the Corporation depending on the relevant authorization, such properties are classified to the appropriate categories of property, plant and equipment. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For fixed assets constructed during the year, which have been handed over but not as yet formally accounted for, the costs recognized are either the costs of work handed over based on the costs of construction measured up to the hand-over date or relevant approved estimates, borrowing costs incurring in accordance with the Corporation's accounting policy. Upon the final accounting of the work, adjustments are made to the estimated costs based on actual incurred costs.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

<u>Categories</u>	<u>Estimated useful lives (years)</u>
Buildings and structures	10 - 25
Machinery and equipment	8 - 20
Transmission and transportation equipment	10 - 30
Office equipment and other assets	3 - 10

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. For revalued fixed assets, depreciation is calculated on the net book value after revaluation.

Depreciation on revalued fixed assets is charged to the consolidated statement of comprehensive income. On the subsequent sale or retirement of revalued fixed assets, the attributable revaluation surplus remaining in the fixed assets revaluation reserve is transferred directly to retained earnings.

An item of tangible fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Intangible assets and amortization**

Intangible assets represent land use rights, computer software and others. No amortization is provided for land use rights due to their indefinite term. Accounting software is amortized using the straight-line method over 3 years. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Impairment of tangible and intangible assets**

At each balance sheet date or more frequently, if events and circumstances indicate such is warranted, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weight average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Financial instruments**

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Financial assets**

Financial assets are classified into the following specified categories: "held-to-maturity" investment, "available-for-sale" financial assets and "loans and receivables". "Held-to-maturity" investment represents debentures with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent to hold to maturity. "Available-for-sale" financial assets represent unlisted and listed notes held by the Corporation that are traded in an active market. Gains or losses arising from changes in fair value are recognized in the statement of profit or loss and other comprehensive income. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, less any impairment.

**Short-term investments**

Short-term investments mainly include time deposits at banks with terms over 3 months. Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are measured at cost less provision for any devaluation for investments.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

The Corporation has provided fully for all receivables from debtors whose business is in dissolution, bankruptcy, or in similar difficulties.

**5. REVENUE**

The following is an analysis of the Corporation's revenue for the year from operations (excluding investment income - see Note 7):

	2015 VND'000	2014 VND'000
<b>Sales of electricity</b>	<b>77,951,253,755</b>	<b>65,884,961,012</b>
<b>Sales of other products</b>	<b>1,448,250,237</b>	<b>986,392,657</b>
Power construction	363,700,593	435,686,668
Electrical installation and wiring	230,755,475	186,705,959
Electrical repair and experiment	69,332,063	58,453,304
Mechanical services and electricity equipment production	158,548,405	113,174,186
Survey and designs	107,427,184	84,445,665
Others	518,486,517	107,926,875
<b>Service revenue</b>	<b>168,286,944</b>	<b>172,995,760</b>
Asset for rent	15,063,055	13,429,272
Telecom cable management	130,593,762	125,672,360
Others	22,630,127	33,894,128
<b>Sales of materials</b>	<b>85,322,425</b>	<b>16,434,800</b>
<b>Less: sales deduction</b>	<b>(422,804)</b>	<b>(217,181)</b>
<b>Total</b>	<b><u>79,652,690,557</u></b>	<b><u>67,060,567,048</u></b>

**6. COST OF SALES**

	2015 VND'000	2014 VND'000
<b>Cost of electricity</b>	<b>73,865,908,714</b>	<b>62,999,648,186</b>
<b>Cost of other products</b>	<b>1,491,211,533</b>	<b>763,741,399</b>
Power construction	285,939,566	396,732,292
Electrical installation and wiring	166,408,273	139,860,997
Electrical repair and experiment	14,881,414	14,206,983
Mechanical services and electricity equipment production	119,078,223	87,270,363
Survey and designs	67,921,344	47,289,284
Others	836,982,713	78,381,480
<b>Cost of service</b>	<b>70,190,952</b>	<b>72,314,783</b>
Asset for rent	1,335,968	1,259,200
Telecom cable management	58,899,460	50,862,363
Others	9,955,524	20,193,220
<b>Cost of materials</b>	<b>80,467,378</b>	<b>11,541,787</b>
<b>Total</b>	<b><u>75,507,778,577</u></b>	<b><u>63,847,246,155</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. INVESTMENT INCOME**

	2015 VND'000	2014 VND'000
Bank interest	49,183,638	55,933,052
Dividend received	1,519,751	13,289,291
	<u>50,703,389</u>	<u>69,222,343</u>

**8. OTHER (LOSSES)/GAIN**

	2015 VND'000	2014 VND'000
Gain on disposal of property, plant and equipment	14,387,580	-
Loss on sales of redundant materials	(15,210,940)	-
Net foreign exchange (loss)/gain	(293,008,185)	14,463,291
Provision for impairment of long-term financial investments	(4,497,865)	(8,193,348)
Others	82,471,314	64,476,008
	<u>(215,858,096)</u>	<u>70,745,951</u>

**9. DISTRIBUTION EXPENSES**

	2015 VND'000	2014 VND'000
Salary expenses	696,757,766	601,755,549
Social, health insurance and union fees	51,835,854	48,559,334
Raw materials and consumables	37,037,823	26,838,703
Tools and supplies	128,958,505	84,040,714
Repair and maintenance	214,037,391	119,500,772
Out-sourced services	72,581,814	49,833,265
Other expenses	342,320,996	314,227,793
	<u>1,543,530,149</u>	<u>1,244,756,130</u>

**10. ADMINISTRATION EXPENSES**

	2015 VND'000	2014 VND'000
Salary expenses	1,044,527,101	879,695,988
Social insurance, health insurance expenses and union fees	69,114,940	62,567,418
Raw materials and consumables	48,894,968	58,319,596
Tools and supplies	117,094,938	97,967,177
Depreciation expenses	118,096,448	104,707,104
Repair and maintenance expenses	26,938,899	76,608,901
Taxes and fees	35,466,328	29,258,699
Out-sourced services	95,888,639	78,320,238
Provision	299,027	1,137,277
Other expenses	573,115,872	418,156,180
	<u>2,129,437,160</u>	<u>1,806,738,578</u>

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**VIETNAM ELECTRICITY  
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*These notes are an integral part of and should be read in conjunction with the consolidated financial statements*

The beginning balance of property, plant and equipment include the accumulated revaluation increase of fixed assets that was performed in accordance with the special regulations issued by the Ministry of Finance and the Vietnamese Government which are applicable to selective State-owned companies. Pursuant to the result of revaluation result, the net book value of the Corporation's tangible fixed assets has increased by VND'000 5,497,556,940. The Corporation adjusted to increase the historical cost and accumulated depreciation of the revaluated tangible fixed assets as at 31 December 2012 with amount of VND'000 12,776,541,557 and VND'000 7,278,984,617 respectively. The revaluation was performed by an independent valuer using the methods and assumptions in line with financial regulations of the Ministry of Finance.

The historical cost of temporarily recorded property, plant and equipment pending for finalization in the consolidated statement of financial position as at 31 December 2015 is valued at VND'000 6,298,000,000 (31 December 2014: VND'000 7,206,000,000 approximately). The value of these assets can vary depending on the results of completed construction audit and approval of state agencies.

The cost of the Corporation's tangible fixed assets as at 31 December 2015 includes an amount of VND'000 469,852,690 (31 December 2014: VND'000 982,995,321) in respect of fully depreciated assets which are still in use. The cost of the Corporation's tangible fixed assets also includes an amount of VND'000 0 (31 December 2014: VND'000 3,916,484) in respect of assets awaiting for disposal.

**14. OTHER INTANGIBLE ASSETS**

	Land use rights VND'000	Computer software VND'000	Others VND'000	Total VND'000
<b>COST OR VALUATION</b>				
As at 01/01/2014	83,699,034	3,198,958	2,016,308	88,914,300
Additions	65,079,206	1,911,626	-	66,990,832
Disposal	-	(46,000)	(299,212)	(345,212)
As at 01/01/2015	148,778,240	5,064,584	1,717,096	155,559,920
Additions	390,000	3,458,937	-	3,848,937
Disposal	(5,517,354)	-	-	(5,517,354)
As at 31/12/2015	<u>143,650,886</u>	<u>8,523,521</u>	<u>1,717,096</u>	<u>153,891,503</u>
<b>ACCUMULATED AMORTISATION</b>				
As at 01/01/2014	1,453,064	914,376	369,234	2,736,674
Charge for the year	1,112,087	508,221	342,819	1,963,127
Others	-	(46,000)	(40,120)	(86,120)
As at 01/01/2015	2,565,151	1,376,597	671,933	4,613,681
Charge for the year	1,709,316	850,149	669,603	3,229,068
Others	(715)	-	-	(715)
As at 31/12/2015	<u>4,273,752</u>	<u>2,226,746</u>	<u>1,341,536</u>	<u>7,842,034</u>
<b>CARRYING AMOUNT</b>				
As at 31/12/2015	<u>139,377,134</u>	<u>6,296,775</u>	<u>375,560</u>	<u>146,049,469</u>
As at 31/12/2014	<u>146,213,089</u>	<u>3,687,987</u>	<u>1,045,163</u>	<u>150,946,239</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**15. INVESTMENT IN ASSOCIATES**

	31/12/2015	31/12/2014
	VND'000	VND'000
Cost of investment in associates	943,379,335	913,406,316
Gain on investment	156,997,740	157,558,628
Dividends received	(107,696,470)	(47,041,313)
Fund contributed	9,230,555	(5,322,058)
	<b><u>1,001,911,160</u></b>	<b><u>1,018,601,573</u></b>

Details of the Corporation's associates at 31 December 2015 are as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principle activities
Southern Hydroelectricity Company	Ho Chi Minh City, Vietnam	48.86%	48.86%	To manufacture and trade electricity
Dong Nai Electric Mechanical Power Joint Stock Company (*)	Ho Chi Minh City, Vietnam	44.88%	44.88%	To invest, trade and service
Power Construction Joint Stock Company	Dong Nai Province, Vietnam	43.20%	43.20%	Consulting and constructing electrical network
Central Hydro-power Joint Stock Company	Da Nang City, Vietnam	22.97%	22.97%	To manufacture and trade electricity

(\*) According to the meeting minutes of the Board of Directors of DNPC on September 15, 2015 relating to the approval of increase charter capital of DNEPC, and then reducing DNPC's percentage of ownership in that company. On December 31, 2015, DNPC has reduced the percentage of ownership in the company from 51% the power to 44.88%. Accordingly, the investment in DNEPC was classified as an investment in associated right after the date of losing rights of control in DNEPC.

All of the above associates are accounted for using the equity method in these consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**16. OTHER FINANCIAL ASSETS**

	31/12/2015 VND'000	31/12/2014 VND'000
<b>Available-for-sale investments carried at cost</b>		
Ho Chi Minh City Electric Power Trading Investment Corporation	20,250,000	20,250,000
Dai Viet Security Joint Stock Company	45,000,000	45,000,000
Song Ba Ha Hydro-Power Joint Stock Company	89,600,000	89,600,000
Srepok Hydro-Power Joint Stock Company (SHPC)	-	65,100,000
Long Thanh Industrial Zone Joint Stock Company	-	4,639,800
EVN International Joint Stock Company	7,500,000	7,500,000
Others	-	84,000
	<b>162,350,000</b>	<b>232,173,800</b>
Provision for impairment of long-term financial investments	(31,888,543)	(27,855,047)
	<b>130,461,457</b>	<b>204,318,753</b>

Impairment of other financial asset came from devaluation of listed stocks when the market value is lower than carrying value with total amount of VND'000 31,888,543 (2014: VND'000 27,855,047).

The Corporation's Board of Directors had reviewed impairment of unlisted investments and believed there is no significant impairment loss should be recorded at year end and these investments are measured at cost.

**17. OTHER ASSETS**

	31/12/2015 VND'000	31/12/2014 VND'000
Materials and supplies for capital asset construction	789,627,010	536,884,435
Long-term deposits	532,511	42,499,565
Other non-current assets	60,362,979	104,849,078
	<b>850,522,500</b>	<b>684,233,078</b>

Materials and supplies for capital asset construction include machinery and equipment held at various Construction/Project Management Units' warehouses or in transit awaiting transfer to the construction site for the construction and development of the Corporation's electrification system and network expansion.

Other assets consist primarily of prepaid land rental.

**18. INVENTORIES**

	31/12/2015 VND'000	31/12/2014 VND'000
Materials and supplies	435,294,342	528,981,273
Work in progress	95,748,912	96,097,481
Finished goods	69,111,385	12,904,194
Merchandise	2,776,651	1,577,533
Consignment goods	3,802	6,464
Tools and supplies	49,497,699	58,643,397
	<b>652,432,791</b>	<b>698,210,342</b>
Provision for obsolete stocks (*)	(9,031,912)	(12,346,857)
	<b>643,400,879</b>	<b>685,863,485</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**11. FINANCE COSTS**

	2015 VND'000	2014 VND'000
Interest on borrowings	211,553,304	177,176,911
Less: Amount included in the cost qualifying assets	(37,719,343)	(19,618,283)
	<u><b>173,833,961</b></u>	<u><b>157,558,628</b></u>

The weighted average capitalization rate on funds borrowed is 4% per annum (2014: 6.2 % per annum).

**12. INCOME TAX EXPENSE**

**Income tax recognized in profit and loss**

	2015 VND'000	2014 VND'000
Current tax expenses	99,528,766	109,881,683
Deferred tax expense relating to the origination of temporary difference	34,966	44,713
	<u><b>99,563,732</b></u>	<u><b>109,926,396</b></u>

The total charge for the year can be reconciled to the accounting profit as follows:

	2015 VND'000	2014 VND'000
<b>Profit before tax</b>	<b>235,784,493</b>	<b>286,288,118</b>
Tax at the domestic income tax rate	50,410,257	62,983,386
Effect of revenue that is exempted from taxation	(414,915)	(3,202,581)
Tax effect of non-deductible expenses	92,082,530	86,873,573
Tax effect of adjustment for foreign exchange difference	(5,788,392)	(1,021,574)
Adjustments recognized in the current year in relation to the current tax of prior years	-	42,756
Accrued corporate income tax temporarily awaiting for finalization	-	650,238
Tax effect of share of results of associates	(34,539,503)	(36,428,959)
Tax effect of deferred tax	34,966	44,713
Others	(12,832)	(15,156)
<b>Income tax expenses</b>	<u><b>99,563,732</b></u>	<u><b>109,926,396</b></u>

(\*) According to Decree No 24/2000/ ND-CP issued on July 31, 2000, the income of the business from the implementation of investment projects carried out in industrial parks is subject to tax rate of 15% in the duration of the project, exempt for 2 years since first year that Company get profit and exempt 50% of tax rate in the next 3 years. The subsidiary - Vi-na-si-no Electrical Equipment Joint Stock Company is the subjects of application of Decree 24.

The Corporation and other subsidiaries are subject to income tax at the rate of 22% of taxable income (2014: 22%). The calculation of income tax is subject to the review and approval of the tax authorities.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

(\*) During the year, VND'000 3,314,945 was reversed as a provision for devaluation of inventories (2014: VND'000 3,839,634 was provided for devaluation of inventories).

Materials and supplies are mainly fuel to be directly consumed in the course of generating electricity, such as coal and diesel, and accessories needed for maintenance and repairs of the generators and the transmitting system, which are valued on a weighted average method by means of a year-end stocktaking.

A large portion of the work in progress represents expenses incurred on contractual work, which was not completed at year-end. Such expenses cover materials, machinery and labor cost incurred.

**19. TRADE AND OTHER RECEIVABLES**

	31/12/2015	31/12/2014
	VND'000	VND'000
Receivables from customers	392,489,776	447,899,146
Prepayment to suppliers	313,623,424	357,605,987
Other receivables	200,789,072	341,379,533
Provision for bad debts	(9,649,337)	(11,958,326)
	<u>897,252,935</u>	<u>1,134,926,340</u>

The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables. Provision for bad debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, bankruptcy, or in similar difficulties. Variance of provision for bad debts is charged to income statement during year.

**20. CURRENT TAX ASSETS**

	2015	2014
	VND'000	VND'000
Value added tax receivable	202,918,089	188,904,846
Income tax receivable	59,098,714	1,155,563
Personal income tax receivable	11,032,408	13,255,283
Land tax	13,966	377,940
	<u>273,063,177</u>	<u>203,693,632</u>

**21. CASH AND BANK BALANCES**

For the purposes of the statement of cash flow, cash and cash equivalents is represented as follow:

	31/12/2015	31/12/2014
	VND'000	VND'000
Cash on hand	17,992,859	9,788,269
Cash in bank	5,961,560,028	6,623,289,902
Cash in transit	24,001	5,864,210
Cash equivalents	752,000,000	124,000,000
	<u>6,731,576,888</u>	<u>6,762,942,381</u>

Cash equivalents represent short-term deposits to banks with the maturity date less than three months and incurring interest from 4% to 4.8% p.a. (2014: 4.3% to 6.7% p.a).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**22. CAPITAL AND RESERVES**

	31/12/2015 VND'000	31/12/2014 VND'000
Capital - Budget granted	8,271,673,507	7,691,566,896
Funds/Reserves	5,652,367,243	5,702,267,850
Property, plant and equipment		
Revaluation Reserve s	5,497,556,940	5,497,556,940
Investment and development fund	154,810,303	204,149,910
Financial reserve fund	-	561,000

**23. NON-CONTROLLING INTERESTS**

Non-controlling interests presents the minority's portions in net assets value and results of operations of DNEPC and Vinasino Electrical Equipment Joint Stock Company ("Vi-na-si-no"). Non-controlling interests were calculated as follow:

	Vi-na-si-no VND'000	DNEPC VND'000
<b>As at 31 December 2014</b>		
Charter capital of subsidiary	115,500,000	11,000,000
In which:		
Contributed capital of the Parent Company	63,525,000	5,610,000
Contributed capital of non-controlling interests	51,975,000	5,390,000
<b>Portion of non-controlling interests</b>	<b>45%</b>	<b>49%</b>
	Vi-na-si-no VND'000	DNEPC VND'000
<b>As at 31 December 2015</b>		
Charter capital of subsidiary	115,500,000	-
In which:		
Contributed capital of the Parent Company	63,525,000	-
Contributed capital of non-controlling interests	51,975,000	-
<b>Portion of non-controlling interests</b>	<b>45%</b>	<b>0%</b>

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Non-controlling interests in net assets as at 31 December 2015 and 31 December 2014 were as follows:

	Vi-na-si-no VND'000	DNEPC VND'000	Total VND'000
<b>Total net-asset</b>			
<b>As at 31 December 2014</b>			
Total assets	200,512,539	59,410,106	259,922,645
Total liabilities	(68,788,485)	(29,675,812)	(98,464,297)
<b>Net asset</b>	<b>-</b>	<b>29,734,294</b>	<b>161,458,348</b>
<i>Detail as follows:</i>			
Charter capital	115,500,000	11,000,000	126,500,000
Other capital	-	12,387,749	12,387,749
Others funds	-	1,100,000	1,100,000
Retained earnings	16,224,054	5,246,545	21,470,599
<b>As at 31 December 2015</b>			
Total assets	245,599,128	-	245,599,128
Total liabilities	(106,051,966)	-	(106,051,966)
<b>Net asset</b>	<b>139,547,161</b>	<b>-</b>	<b>139,547,161</b>
<i>Detail as follows:</i>			
Charter capital	115,500,000	-	115,500,000
Other capital	1,622,466	-	1,622,466
Others funds	811,233	-	811,233
Retained earnings	21,613,462	-	21,613,462
	Vi-na-si-no VND'000	DNEPC VND'000	Total VND'000
<b>Non-controlling interests</b>			
<b>As at 31 December 2014</b>			
Charter capital	51,975,000	5,390,000	57,365,000
Other capital	-	6,069,997	6,069,997
Others funds	-	539,000	539,000
Retained earnings	7,300,824	2,570,807	9,871,631
	<b>59,275,824</b>	<b>14,569,804</b>	<b>73,845,628</b>
<b>As at 31 December 2015</b>			
Charter capital	51,975,000	-	51,975,000
Other capital	730,110	-	730,110
Others funds	365,055	-	365,055
Retained earnings	9,726,058	-	9,726,058
	<b>62,796,223</b>	<b>-</b>	<b>62,796,223</b>

Non-controlling interests in results of operations for the financial year ended 31 December 2015 and 31 December 2014 were as follow:

	2015 VND'000	2014 VND'000
Profit for the year	30,105,893	22,498,189
Non-controlling interests	13,887,349	3,074,326

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**24. BORROWINGS**

	31/12/2015 VND'000	31/12/2014 VND'000
Interest bearing loans	7,945,332,446	7,117,380,171
Non-interest bearing loans	589,629,339	645,041,455
	<b>8,534,961,785</b>	<b>7,762,421,626</b>
Amount due for settlement within 12 months	(515,344,094)	(458,928,999)
Amount due for settlement after 12 months	<b>8,019,617,691</b>	<b>7,303,492,627</b>
<b>The interest bearing loans are repayable as follows:</b>		
On demand or within 1 year	426,350,914	393,586,485
In the second year to fifth year inclusive	2,129,011,344	1,766,095,216
After five years	5,389,970,188	4,957,698,470
	<b>7,945,332,446</b>	<b>7,117,380,171</b>
Amount due for settlement within 12 months	(426,350,914)	(393,586,485)
Amount due for settlement after 12 months	<b>7,518,981,532</b>	<b>6,723,793,686</b>
<b>The non-interest bearing loans are repayable as follows:</b>		
Non-interest bearing loan	589,629,339	645,041,455
Amount due for settlement within 12 months	(88,993,181)	(65,342,513)
Amount due for settlement after 12 months	<b>500,636,158</b>	<b>579,698,942</b>
Analysis of interest bearing loans by currency:		
	31/12/2015 VND'000	31/12/2014 VND'000
Loans denominated in USD	6,247,021,036	5,569,549,236
Loans denominated in EURO	780,162,551	588,475,961
Loans denominated in JPY	78,135,041	89,327,436
Loans denominated in VND	840,013,818	870,027,538
	<b>7,945,332,446</b>	<b>7,117,380,171</b>

The other principal features of the Corporation's interest bearing loans are as follows:

- i. Certain loans were arranged at fixed rates and others were arranged at floating rates. The average interest rate paid during the year was 4% p.a. (2014: 6% p.a.).
- ii. Most of the loans from international credit institutions such as the World Bank, Asian Development Bank, etc., are assigned to the Corporation by the Government of Vietnam, who actually signed the loan agreement with the international credit institutions.
- iii. Loans from local credit institutions are secured by certain properties of the Corporation.

Non-interest bearing loans represent borrowings made by the Corporation's units directly from the local government, and are unsecured and have no fixed term of repayment.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**25. TRADE AND OTHER PAYABLES**

	31/12/2015	31/12/2014
	VND'000	VND'000
Trade payables	6,083,260,422	6,251,144,327
Advances from customers	86,669,870	106,956,476
Payable to employees	2,133,790,653	1,898,664,075
Accrued expenses	97,566,538	52,838,626
Other payables	687,939,333	488,770,909
	<b>9,089,226,816</b>	<b>8,798,374,413</b>

The average credit period on purchases of certain materials from suppliers is from 1 month to 3 months. No interest is charged on the trade payables for the overdue payment. However, the Corporation has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**26. BORROWINGS**

	31/12/2015	31/12/2014
	VND'000	VND'000
Short-term borrowing	12,572,029	11,705,850.00
Current portion interest bearing loans (Note 24)	426,350,914	393,586,485
Current portion of non-interest bearing loans(Note 24)	88,993,181	65,342,513
	<b>527,916,124</b>	<b>470,634,848</b>

**27. CURRENT TAX LIABILITIES**

	2015	2014
	VND'000	VND'000
Value added tax payable	17,893,649	18,551,849
Income tax payable	18,763,935	24,763,924
Personal income tax payable	5,616,070	2,083,431
Other taxes payables	2,088,286	62,818
	<b>44,361,940</b>	<b>45,462,022</b>

**28. BUSINESS AND GEOGRAPHICAL SEGMENT**

Principal activities of the Corporation are providing electricity and the others are services related to electricity and telecommunication. During the year, the revenue generated from other activities is minor in comparison to total revenue generated, therefore the financial information presented on the Consolidated statement of financial position as at 31 December 2015 and Consolidated statement of profit or loss and other comprehensive income for the year 2015 mainly related to the principal activities of the Corporation. The principal activities mainly incurred in southern area except Ho Chi Minh City.

**29. FINANCIAL INSTRUMENT**

**Capital risk management**

The Corporation manages its capital to ensure that the Corporation will be able to continue as a going concern while maximizing the return to owner through the optimization of the debt and equity balance. The capital structure of the Corporation consists of net debt, which includes the borrowings disclosed in Note 24 and 26, cash and cash equivalents and equity attributable to equity holders of the parent company (comprising capital, funds, reserves and retained earnings).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Gearing ratio:*

The gearing ratio at the end of the year was as follows:

	31/12/2015	31/12/2014
	VND'000	VND'000
Debts	8,547,533,815	7,774,127,475
Less: cash and cash equivalents	6,731,576,888	6,762,942,381
Net debt	1,815,956,927	1,011,185,094
Equity	14,123,095,914	13,540,792,964
<b>Net debt to equity ratio</b>	<b>0.13</b>	<b>0.07</b>

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability is disclosed in Note 3 of the Notes to the consolidated financial statements.

**Categories of financial instruments**

	31/12/2015	31/12/2014
	VND'000	VND'000
<b>Financial assets</b>		
Cash and cash equivalents	6,717,028,740	6,762,942,381
Trade and other receivables	583,696,543	814,647,007
Available-for-sales financial assets	130,461,457	204,318,753
	<b>7,431,186,740</b>	<b>7,781,908,141</b>
<b>Financial liabilities</b>		
Trade and other payables	8,829,745,210	8,638,579,311
Borrowings	8,547,533,815	7,774,127,475
Accrued expenses	97,566,538	52,838,626
	<b>17,474,845,563</b>	<b>16,465,545,412</b>

The Corporation carries its financial assets at cost or face value less a provision for impairment if necessary and carries financial liabilities at face value less payments made on principal without regard for changes in fair value of the instruments. International Accounting Standards (IAS) No. 32, *Financial Instruments: Presentation*; No. 39, *Financial Instruments: Recognition and Measurement*; and International Financial Reporting Standard (IFRS) No. 7, *Financial Instruments: Disclosures* require that financial assets and liabilities be carried at fair value or amortized cost, using the effective interest method, depending on the instruments classification and define the required presentation and disclosures associated with financial instruments.

**Financial risk management objectives**

Financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Corporation does not hedge these risk exposures due to the lack of a market to purchase financial instruments.

**Market risk**

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rate and interest rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Foreign currency risk management*

The Corporation undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	VND'000	VND'000	VND'000	VND'000
United States Dollar (USD)	439,862,357	718,247,084	6,631,743,071	5,965,319,310
Euro (EUR)	36,257	4,072,129	780,162,551	588,475,961
Japanese Yen (JPY)	-	20,618	78,135,041	89,327,436

*Foreign currency sensitivity analysis*

The Corporation is mainly exposed to United States Dollar and Euro. The following table details the Corporation's sensitivity to a 3% increase and decrease in Vietnam Dong against the relevant foreign currencies. 3% is the sensitivity rate used when reporting foreign currency risk internally to the Board of Directors and represents the Board of Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 3% change in foreign currency rates. For a 3% increase/decrease in the following foreign currencies against Vietnam Dong, the profit before tax in the year would decrease/increase by the same amount as follows:

	2015	2014
	VND'000	VND'000
United States Dollar (USD)	185,756,421	157,412,167
Euro (EUR)	23,403,789	17,532,115

*Interest rate risk management*

The Corporation is exposed to interest rate risk as entities in the Corporation borrow funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix between fixed and floating rate borrowings.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there is a significant concentration of credit risk relating to trade accounts receivable which arise from electricity business.

*Liquidity risk management*

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Corporation believes can generate within that period. The Corporation policy is to regularly monitor current and expected liquidity requirements to ensure that the Corporation maintains sufficient reserves of cash, borrowings and adequate committed funding from Vietnam Electricity to meet its liquidity requirements in the short and longer term.

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The following table details the Corporation's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year VND'000	From 1 - 5 years VND'000	After 5 years VND'000	Total VND'000
<b>31/12/2015</b>				
Cash and cash equivalents	6,717,028,740	-	-	6,717,028,740
Trade and other receivables	583,629,511	67,032	-	583,696,543
Available-for-sales financial assets		130,461,457	-	130,461,457
	<u>7,300,658,251</u>	<u>130,528,489</u>	<u>-</u>	<u>7,431,186,740</u>
<b>31/12/2015</b>				
	Less than 1 year VND'000	From 1 - 5 years VND'000	After 5 years VND'000	Total VND'000
Trade and other payables	8,820,151,577	9,593,633	-	8,829,745,210
Borrowings	438,922,943	2,129,011,344	5,979,599,528	8,547,533,815
Accrued expenses	97,566,538	-	-	97,566,538
	<u>9,356,641,058</u>	<u>2,138,604,977</u>	<u>5,979,599,528</u>	<u>17,474,845,563</u>
<b>Net liquidity gap</b>	<u>(2,055,982,807)</u>	<u>(2,008,076,488)</u>	<u>(5,979,599,528)</u>	<u>(10,043,658,823)</u>
<b>31/12/2014</b>				
Cash and cash equivalents	6,762,942,381	-	-	6,762,942,381
Trade and other receivables	814,494,567	152,440	-	814,647,007
Available-for-sales financial assets		204,318,753	-	204,318,753
	<u>7,577,436,948</u>	<u>204,471,193</u>	<u>-</u>	<u>7,781,908,141</u>
<b>31/12/2014</b>				
	Less than 1 year VND'000	From 1 - 5 years VND'000	After 5 years VND'000	Total VND'000
Trade and other payables	8,638,579,311	-	-	8,638,579,311
Borrowings	405,292,335	1,766,095,216	5,602,739,924	7,774,127,475
Accrued expenses	52,838,626	-	-	52,838,626
	<u>9,096,710,272</u>	<u>1,766,095,216</u>	<u>5,602,739,924</u>	<u>16,465,545,412</u>
<b>Net liquidity gap</b>	<u>(1,519,273,324)</u>	<u>(1,561,624,023)</u>	<u>(5,602,739,924)</u>	<u>(8,683,637,271)</u>

The Board of Directors evaluates liquidity risk at a moderate level. The Board of Directors believes that the Corporation will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

**30. NON-CASH TRANSACTIONS**

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND'000 540,048,099 (2014: VND'000 482,440,710), representing an addition in fixed assets during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND'000 543,812,509 (2014: VND'000 573,581,598), representing materials issued for construction in progress. Consequently, changes in inventories have been adjusted by the same amount.



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Cash inflows for capital contribution during the year exclude an amount of VND'000 541,739,862 (2014: VND'000 378,231,392), representing the increase in contributed capital due to the receipt of fixed assets. The transaction does not affect to the cash flows so it is not presented in the above consolidated statement of cash flows.

Cash outflow for loan interest payment during the year exclude an amount of VND'000 39,460,523 (2014: VND'000 30,751,557), representing the unpaid loan interest incurred during the year. Consequently, changes in accounts payable have been adjusted by the same amount.

**31. EXPENDITURE COMMITMENT**

	31/12/2015	31/12/2014
	VND'000	VND'000
Construction commitment	<u>6,552,312,000</u>	<u>5,209,742,000</u>

**32. RELATED PARTY TRANSACTIONS**

Transactions between the Corporation and its component units and subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

During the year, the Corporation entered into the following transactions with its related parties:

	2015	2014
	VND'000	VND'000
<b>Electricity and service purchased</b>		
Electricity purchased from Vietnam Electricity	67,490,787,559	57,395,566,814
Power Engineering Designing Consulting Construction JSC	1,868,710	9,230,907
<b>Loan interest</b>		
Vietnam Electricity	12,952,466	6,204,932
EVN Finance Joint Stock Company	347,492	225,264
<b>Profit and dividend received</b>		
Southern Hydroelectricity Company	68,676,537	36,627,486
Central Hydro-power Joint Stock Company	<u>38,588,905</u>	<u>8,267,952</u>

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The related parties' balances are as follows:

	31/12/2015	31/12/2014
	VND'000	VND'000
<b>Borrowings</b>		
Vietnam Electricity	-	1,468,704
EVN Finance Joint Stock Company	<u>3,467,880</u>	<u>5,202,280</u>
<b>Payables</b>		
Vietnam Electricity	4,867,982,111	5,467,938,674
Power Engineering Designing Consulting Construction JSC	-	1,040,062
Power 3 Engineering Consulting Construction Co Ltd.	84,520	-
Southern Electricity Construction Management	<u>2,776,193</u>	<u>-</u>
<b>Receivables</b>		
Power Transmission Company No. 4	6,008,813	6,008,813
Power Engineering Designing Consulting Construction JSC	<u>-</u>	<u>712,520</u>
<b>Long-term borrowing</b>		
Southern Electricity Construction Management	-	43,628,563
National Power Transmission Corporation	<u>322,546,056</u>	<u>376,619,060</u>
<b>Other receivables</b>		
Vietnam Electricity	11,397,217	17,290,756
Southern Hydroelectricity Company	<u>-</u>	<u>17,148,614</u>
<b>Internal receivable</b>		
Vietnam Electricity	<u>-</u>	<u>4,369,619</u>

The amount payable to Vietnam Electricity at 31 December 2015 and 2014 was presented as part of other payables.

Remuneration paid to the Board of Directors during the year was as follows:

	2015	2014
	VND'000	VND'000
Salary and benefits in kind	<u>4,920,720</u>	<u>7,956,445</u>

**33. CONTINGENT LIABILITIES**

The Corporation self-insures most of its facilities for property risks. In addition, the Corporation carries limited liability insurance coverage.



