

**PETROVIETNAM DRILLING AND WELL
SERVICE CORPORATION**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 December 2009

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of PetroVietnam Drilling and Well Service Corporation (“the Company”) and its subsidiaries (“the Group”) presents this report together with the Group’s audited consolidated financial statements for the year ended 31 December 2009.

THE BOARDS OF MANAGEMENT AND DIRECTORS

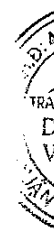
The members of the Boards of Management and Directors of the Group who held office during the year and at the date of this report are as follows:

Board of Management

Mr. Le Nhu Linh	Chairman (appointed on 25 August 2009)
Mr. Do Dinh Luyen	Chairman (resigned on 25 August 2009)
Mr. Do Van Khanh	Member
Mr. Tran Van Hoat	Member
Mr. Pham Tien Dung	Member
Mr. Dam Hai Giang	Member
Mr. Duong Xuan Quang	Member (appointed on 7 December 2009)
Ms Nguyen Thi Huyen	Member (appointed on 11 April 2009 and resigned on 7 December 2009)
Mr. Nguyen Xuan Son	Member (resigned on 11 April 2009)
Mr. Nguyen Hong Nam	Member (resigned on 1 December 2009)

Board of Directors

Mr. Do Van Khanh	Chief Executive Officer and President
Mr. Tran Van Hoat	Vice President
Mr. Van Duc Tong	Vice President
Mr. Pham Tien Dung	Vice President
Mr. Ho Vu Hai	Vice President
Ms Ho Ngoc Yen Phuong	Vice President
Mr. Dao Ngoc Anh	Vice President (appointed on 8 December 2009)
Mr. Luong Trong Diep	Vice President (resigned on 19 October 2009)



STATEMENT OF THE BOARD OF DIRECTORS (Continued)

THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Group is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the financial position of the Group and of its results and cash flows for the year. 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 Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing the financial statements so as to minimize errors and frauds.

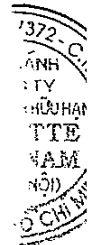
The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

and on behalf of the Board of Directors,



Do Van Khanh
Chief Executive Officer and President
31 March 2010



PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements

For the year ended 31 December 2009

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

FORM B 01-DN/HN

Unit: VND

ASSETS	Codes	Notes	31/12/2009	31/12/2008 (Restated)
A. CURRENT ASSETS	100		2,564,984,787,363	2,065,294,939,509
I. Cash and cash equivalents	110	6	874,496,810,546	687,790,226,960
1. Cash	111		214,647,329,468	195,122,511,791
2. Cash equivalents	112		659,849,481,078	492,667,715,169
II. Short-term financial investments	120	7	66,538,500,160	120,000,000,000
1. Short-term investments	121		66,538,500,160	120,000,000,000
III. Short-term receivables	130		1,268,125,429,271	1,056,945,202,837
1. Trade accounts receivable	131		1,136,718,078,814	1,043,280,603,366
2. Advances to suppliers	132		14,779,200,555	10,594,443,966
3. Other receivables	135		121,167,849,253	9,992,206,019
4. Provision for doubtful debts	139		(4,539,699,351)	(6,922,050,514)
IV. Inventories	140	8	321,322,589,359	174,461,359,251
1. Inventories	141		323,126,788,930	176,136,789,143
2. Provision for devaluation of inventories	149		(1,804,199,571)	(1,675,429,892)
V. Other short-term assets	150		34,501,458,027	26,098,150,461
1. Short-term prepayments	151		24,597,506,333	15,304,253,492
2. Value added tax deductibles	152		5,025,223,808	5,296,448,738
3. Other tax receivable from State budget	154		47,887,192	1,131,403,825
4. Other short-term assets	158		4,830,840,694	4,366,044,406
B. NON-CURRENT ASSETS	200		9,803,360,361,919	6,567,567,785,523
I. Fixed assets	220		9,420,069,408,168	6,272,698,419,123
1. Tangible fixed assets	221	9	9,234,063,154,606	2,012,619,597,868
- Cost	222		9,884,260,846,194	2,411,225,758,222
- Accumulated depreciation	223		(650,197,691,588)	(398,606,160,354)
2. Intangible assets	227	10	145,771,189,037	146,890,993,792
- Cost	228		156,414,116,803	152,853,500,592
- Accumulated amortization	229		(10,642,927,766)	(5,962,506,800)
3. Construction in progress	230	11	40,235,064,525	4,113,187,827,463
II. Long-term financial investments	250		132,228,757,663	245,120,496,730
1. Investments in joint ventures	252	13	92,228,757,663	74,976,402,570
2. Other long-term investments	258	14	40,000,000,000	172,694,670,160
3. Provision for diminution in value of long-term financial investments	259		-	(2,550,576,000)
III. Other non-current assets	260		248,062,253,416	46,320,363,334
1. Long-term prepayments	261		228,992,969,093	18,251,152,491
2. Deferred tax assets	262	15	4,943,370,483	10,789,332,833
3. Other non-current assets	268		14,125,913,840	17,279,878,010
IV. Goodwill	270	12	2,999,942,672	3,428,506,336
TOTAL ASSETS	280		12,368,345,149,282	8,632,862,725,032

The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2009

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2009

FORM B 01-DN/HN
Unit: VND

RESOURCES	Codes	Notes	31/12/2009	31/12/2008 (Restated)
A. LIABILITIES	300		8,123,016,572,646	6,051,085,089,434
I. Current liabilities	310		2,495,123,349,273	3,934,636,483,213
1. Short-term borrowings and liabilities	311	16	806,633,054,376	1,983,809,569,154
2. Trade accounts payable	312		1,012,942,480,790	1,027,989,526,309
3. Advances from customers	313		1,222,173,036	263,742,121,539
4. Taxes and amounts payable to State budget	314	17	156,595,921,731	95,391,623,085
5. Payables to employees	315		6,359,255,857	29,827,800,836
6. Accrued expenses	316		419,060,650,686	232,344,501,167
7. Other current payables	319		69,532,689,342	301,531,341,123
8. Shortterm provision	320		22,777,123,455	-
II. Long-term liabilities	330		5,627,893,223,373	2,116,448,606,221
1. Other long-term payables	333		55,860,688,733	212,198,276,591
2. Long-term loans and liabilities	334	18	5,542,044,065,214	1,878,918,456,000
3. Provision for severance allowance	336		29,988,469,426	25,331,873,630
B. EQUITY	400		4,231,670,174,951	2,090,816,903,947
I. Shareholders' equity	410	19	4,225,407,414,608	2,071,196,775,334
1. Charter capital	411		2,105,082,150,000	1,321,675,040,000
2. Share premium	412		1,382,297,368,926	201,153,600,000
3. Foreign exchange reserves	416		1,300,856,869	5,974,444,429
4. Investment and development fund	417		227,573,623,721	149,576,096,366
5. Financial reserve fund	418		111,829,124,523	79,911,387,199
6. Retained earnings	420		397,324,290,569	312,906,207,340
II. Other resources and fund	430		6,262,760,343	19,620,128,613
1. Bonus and welfare fund	431		6,262,760,343	19,620,128,613
C. MINORITY INTEREST	500	20	13,658,401,685	490,960,731,651
TOTAL RESOURCES	600		12,368,345,149,282	8,632,862,725,032

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PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
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Consolidated Financial Statements
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CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2009

FORM B 01-DN/HN

OFF BALANCE SHEET ITEMS	<u>31/12/2009</u>	<u>31/12/2008</u>
Foreign currencies		
USD	11,497,560	7,451,168
EUR	16,519	16,497
GBP	389,429	560
DINARS	6,095,159	39,418,953
SGD	5,722	-



Đoàn Văn Khanh
Chief Executive Officer and President
31 March 2010

Doan Duc Tung
Chief Accountant

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

FORM B 02-DN/HN
Unit: VND

ITEMS	Codes	Notes	2008	
			2009	(Restated)
1. Gross sales	01		4,096,780,459,931	3,728,745,990,771
2. Less deductions	02		-	-
3. Net sales	10	21	4,096,780,459,931	3,728,745,990,771
4. Cost of goods sold	11	22	(2,856,789,363,142)	(2,520,350,855,424)
5. Gross profit	20		1,239,991,096,789	1,208,395,135,347
6. Financial income	21	23	203,272,528,578	134,722,761,616
7. Financial expenses	22	24	(322,239,023,428)	(229,046,603,811)
In which: Interest expense	23		(71,726,406,915)	(78,731,366,518)
8. Selling expenses	24		(2,386,741,179)	(2,569,526,528)
9. General and administration expenses	25		(271,713,740,548)	(233,633,166,666)
10. Operating profit	30		846,924,120,212	877,868,599,958
11. Other income	31		138,274,178,600	18,547,726,680
12. Other expenses	32		(113,262,934,919)	(21,783,874,626)
13. Profit/(Loss) from other activities	40		25,011,243,681	(3,236,147,946)
14. Income from investment in joint ventures	50	13	53,999,541,884	54,115,856,630
15. Profit before tax	60		925,934,905,777	928,748,308,642
16. Current tax expense	61	25	(102,427,677,326)	(36,622,392,064)
17. Deferred tax (expense)/income	62	15	(5,845,962,350)	10,738,407,833
18. Profit after tax	70		817,661,266,101	902,864,324,411
Attributable to:				
- Minority interest		20	3,049,304,085	10,817,239,081
- The Group's shareholders			814,611,962,016	892,047,085,330
19. Earnings per share	80	26	5,865	7,183

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Do Văn Khanh
Chief Executive Officer and President
31 March 2010

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Doan Duc Tung
Chief Accountant

The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
 For the year ended 31 December 2009

FORM B 03-DN/HN
 Unit: VND

ITEMS	Codes	2009	2008
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	925,934,905,777	928,748,308,642
2. Adjustments for:			
Depreciation and amortization	02	256,842,657,960	184,828,166,672
Provisions	03	17,972,965,971	8,437,472,465
Unrealized exchange losses	04	137,089,818,598	71,131,901,609
Gains from investing activities	05	(131,014,314,953)	(127,655,819,245)
Interest expense	06	71,726,406,915	78,731,366,518
3. Operating profit before movements in working capital	08	1,278,552,440,268	1,144,221,396,661
Increase in receivables	09	(107,457,235,430)	(19,239,343,144)
Increase in inventories	10	(146,989,999,787)	(130,446,865,251)
Increase in accounts payable	11	617,936,357,032	951,605,571,545
(Increase)/Decrease in prepaid expenses	12	(220,035,069,443)	53,567,834,827
Interest paid	13	(46,126,766,531)	(83,494,260,164)
Corporate income tax paid	14	(60,828,894,339)	(7,838,107,729)
Other cash outflows	16	(89,113,526,847)	(121,204,945,459)
Net cash from operating activities	20	1,225,937,304,923	1,787,171,281,286
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(3,573,631,717,494)	(3,424,336,178,517)
2. Cash recovered from lending and selling debt instruments of other companies			
	24	131,534,055,724	-
3. Investments in other entities	25	(52,277,314,229)	(288,334,569,325)
4. Interest income and dividends received	26	47,024,501,020	-
5. Interest income from cash deposit	27	79,883,857,901	122,775,262,896
Net cash used in investing activities	30	(3,367,466,617,078)	(3,589,895,484,946)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from issuing stocks	31	-	7,817,040,913
2. Proceeds from borrowings	33	3,975,836,014,457	2,832,685,796,353
3. Repayments of borrowings	34	(1,647,660,624,347)	(504,049,558,528)
4. Dividends paid	36	-	(367,521,865,001)
Net cash from financing activities	40	2,328,175,390,110	1,968,931,413,737
Net increase in cash and cash equivalents	50	186,646,077,955	166,207,210,077
Cash and cash equivalents at beginning of year	60	687,790,226,960	521,940,969,552
Effect of changes in foreign exchange rates	61	60,505,631	(357,952,669)
Cash and cash equivalents at end of year	70	874,496,810,546	687,790,226,960

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CONSOLIDATED CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2009

FORM B 03-DN/HN

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and other long-term assets excluded an amount of VND 329,317,922,317 (2008: VND 498,735,992,806), representing additions of fixed assets during the year that have not yet been paid. However, cash outflows for fixed assets include an amount of VND 498,735,992,806 (2008: VND 296,019,592) representing additions of fixed assets during the prior year that were paid in the current year. Consequently, changes in accounts payable have been adjusted by the same amount.

During the year 2009, the Group has declared stock dividends to its shareholders amounting to VND 526,244,260,000 (2008: VND 220,277,740,000). This transaction did not constitute movement of cash and, accordingly, was not presented in the above statement.



Đoàn Văn Khanh
Chief Executive Officer and President
31 March 2010

Doan Duc Tung
Chief Accountant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09-DN/HN

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

1. GENERAL INFORMATION

Structure of ownership

The Group consisted of PetroVietnam Drilling & Well Service Corporation (the "Company") and its six (6) subsidiaries and three (3) joint ventures as follows:

The Company

The Company is a joint stock company established in Vietnam in accordance with the Business Registration Certificates No. 4103004335 dated 15 February 2006 and amendment issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City. The Company has merged from the equitization of PetroVietnam Drilling and Well Service Company, a wholly-owned subsidiary of Vietnam Oil and Gas Corporation (hereinafter referred as "PetroVietnam").

The Company's registered head office is located at 4th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam.

The Subsidiaries

PVD Offshore Services Company Limited ("PVD Offshore") is a one member limited liabilities company established in Vietnam in accordance with new Business Registration Certificate No. 3500803145 issued by the DPI of Ba Ria Vung Tau Province on 1 September 2009. PVD Offshore's registered office is located at 43A, 30/4 street, Ward 9, Vung Tau City, Ba Ria Vung Tau Province, Vietnam

Well Services Company Limited ("PVD Well") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001468 issued by the DPI of Ho Chi Minh City on 1 August 2007, as amended. PVD Well Services's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur, District 1, Ho Chi Minh City, Vietnam.

Petroleum Well Logging Company Limited ("PVD Logging") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001513 issued by the DPI of Ho Chi Minh City on 7 August 2007 and amendment. PVD Logging's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur, District 1, Ho Chi Minh City, Vietnam.

Petroleum Trading and Technical Services Company Limited ("PVD Tech") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001532 issued by the DPI of Ho Chi Minh City on 9 August 2007. PVD Tech's registered office is located at 21 Nguyen Trung Ngan Street, Ben Nghe District, Ho Chi Minh City, Vietnam.

PVD Technical Training & Certification Joint Stock Company Limited ("PVD Training"), formerly Cuu Long Company Limited, is a joint stock company established in Vietnam in accordance with Business Registration Certificate No. 4903000441 issued by the DPI of Ba Ria - Vung Tau Province on 12 October 2007, as amended. PVD Training's registered office is located at Dong Xuyen Industrial Zone, 30/4 Street, Rach Dua Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

PetroVietnam Drilling Investment Corporation ("PVD Invest"), initially named Pacific Drilling Investment Corporation, is a joint stock company established in Vietnam in accordance with the Business Registration Certificate No. 4103006510 issued by the DPI of Ho Chi Minh City on 24 April 2007, as amended. PVD Invest's office is located at 8 Nguyen Hue Street, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City, Vietnam. According to the Resolution No. 01/11/2008/NQ-DHDCD dated 9 November 2008, the Company's Annual General Meeting of shareholders has approved the merger of PVD Invest into the Company. Accordingly, on 4 September 2009, the Company issued 25,716,285 additional shares to PVD Invest's existing shareholders and investors of Drilling Rig PV Drilling III at PVD Invest. On 20 October 2009, the additional shares are officially

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

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

listed and traded. The Group presented merging transactions with PVD Invest on the financial statements for the year ended 31 December 2009.

The percentage of the Group's ownership and the subsidiaries' chartered capital and their capital contribution status are further disclosed in Note 12 of the notes to the consolidated financial statements.

The Joint Ventures

BJ Services-PV Drilling Joint Venture Company Limited ("BJ-PVD") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 49202100003 issued by the People's Committee of Ba Ria Vung Tau Province on 28 September 2006. BJ-PVD's registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

PV Drilling Production Testers International Company Limited ("PVD-PTI") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 491022000098 issued by the People's Committee of Ba Ria Vung Tau Province on 25 April 2008. PVD-PTI's registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

PetroVietnam Drilling Tubulars Management Company Ltd. ("PVD Tubulars") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 492022000134 dated 07 October 2008 issued by Ba Ria-Vung Tau Industrial Zone Department. PVD Tubulars's registered office is located in Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau province, Vietnam.

Principal activities

The Group, through the parent company and its subsidiaries and joint ventures, is principally engaged in providing drilling services, well services, drilling rig, equipment, manpower, oil spill control service and other related services in the oil and gas industry.

2. ACCOUNTING CONVENTION AND FISCAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

Fiscal year

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

3. RESTATEMENT OF PRIOR YEAR ACCOUNTS

As stated further in note 25, the Ministry of Finance has officially informed on the tax policy applicable to the Company's subsidiaries. Accordingly, the Company restated the consolidated financial statement for the year ended 31 December 2008 to reflect additional corporate income tax incurred in prior years as requirement of Vietnamese Accounting Standard 29. The detailed influences of this restatement to the prior year financial statement are as follows:

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN
These notes are an integral part of and should be read in conjunction with the consolidated financial statements

Consolidated Balance Sheet
As at 31 December 2008

	Amount before adjustment VND	Amount after adjustment VND	Balance VND
Taxes and amounts payable to State budget	52,764,831,015	95,391,623,085	42,626,792,070
Retained earnings	355,532,999,410	312,906,207,340	(42,626,792,070)

Consolidated Income Statement
For the year ended 31 December 2008

	Amount before adjustment VND	Amount after adjustment VND	Balance VND
Current corporate income tax expense	6,410,872,603	36,622,392,064	30,211,519,461
Profit after tax	922,258,604,791	892,047,085,330	(30,211,519,461)
Earning per share	7,431	7,183	248

4. ADOPTION OF NEW GUIDANCE

On 15 October 2009, the Ministry of Finance issued Circular No. 201/2009/TT-BTC guiding the recognition of foreign exchange differences in enterprises. The recognition of foreign exchange differences arising from revaluation of monetary items at the balance sheet date in accordance with Circular No. 201/2009/TT-BTC differs from that as regulated in Vietnamese Accounting Standard No. 10 (VAS 10) - Effects of changes in foreign exchange rates. According to Circular No. 201/2009/TT-BTC, accounting treatments of foreign exchange differences are as follows:

- Foreign exchange differences arising from revaluation of monetary items, short-term receivables and payables denominated in foreign currencies at the balance sheet date are not recorded in the income statement for the reporting period but are recorded in the balance sheet under the account "foreign exchange reserves" in the Owner's equity section.
- Foreign exchange differences arising from revaluation of long-term receivables and payables are recorded in the income statement for the year. In case the Group makes a loss, it may allocate part of foreign exchange losses within 5 subsequent years after deducting the foreign exchange difference incurred during the reporting period corresponding to the current portion of long-term loans.

The Board of Directors decided to recognize foreign exchange differences as guided in Circular No. 201/2009/TT-BTC and believes that such application and disclosure of differences at the same time, in the case where the Group would apply VAS 10, may provide more information to users of financial statements. The adoption of Circular No. 201/2009/TT-BTC in recording foreign exchange differences resulted in a decrease of VND 13,085,969,301 in the Group's profit before tax for the year ended 31 December 2009 and an increase in the "foreign exchange reserves" account under Owner's equity section in the balance sheet as at 31 December 2009 by the same amount in comparison with VAS10 adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN
These notes are an integral part of and should be read in conjunction with the consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and enterprises controlled by the Group up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

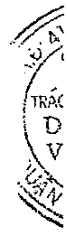
All inter-company transactions and balances between group enterprises are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition. The interest of minority shareholders is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

In the case of a subsidiary, the merger is accounted for in accordance with guidance of the official letter No. 3618/BTC-CDKT dated 25 March 2010 issued by the Ministry of Finance. Accordingly, the assets and liabilities of the merged subsidiaries are accounted for at book value at the acquisition date to the separated financial statements of the Company. The difference, if any, which occurs from the value of shares issued at par value and the minority interest in net assets of the subsidiaries at acquisition date will be charged directly to the share premium of the Company.



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Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognized as an asset and is amortized on the straight-line basis over 10 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately as intangible asset in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Cash and cash equivalents

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

Provision for doubtful debts

Provision for doubtful 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The provision for devaluation of inventories is made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realizable value as at the balance sheet date.

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PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam**Consolidated Financial Statements**
For the year ended 31 December 2009**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN**
*These notes are an integral part of and should be read in conjunction with the consolidated financial statements***Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs. Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	2009 <u>Years</u>	2008 <u>Years</u>
Buildings and structures	6 - 10	6 - 10
Machinery and equipment	5 - 8	5 - 8
Other equipment	3 - 4	3 - 4
Motor vehicles	7	5 - 7
Others	10 - 20	10 - 15

With effect from 1 January 2009, the Group's management decided to change the Group's depreciation rate applied for certain assets which acquired during the year, as presented in the above. This change does not have significant impact on the Group's depreciation expense during the year.

LeasingThe Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are charged to the income statement when incurred or amortized on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Intangible assets and amortization

Intangible assets represent land use rights, goodwill upon equitization and computer software, that are stated at cost less accumulated amortization. Land use rights with indefinite time are not amortized. Goodwill incurred from revaluation of the Company's net worths upon the equitization was recognized as intangible asset and is amortized on a straight-line basis over twenty years. Software is amortized on a straight-line basis over five years.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investments in securities

Investments in securities are recognized on a trade date basis and are initially measured at cost including directly attributable transaction costs. At the subsequent reporting dates, investments in securities are measured at cost, less the amount of diminution in value of investments in securities.

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Provision for diminution in value of investments in security investments is made for freely traded securities whose book value is higher than market price as at the balance sheet date.

Long-term prepayments

Long-term prepayments comprise small tools, spare parts, incurred during year which are expected to provide future economic benefits to the Group for more than one year. These expenditures have been capitalized as long-term prepayments and are amortized on a straight-line basis over 3 years.

Revenue recognition

Revenue is recognized when the outcome of such transactions can be measured reliably and it is probable that the economic benefits associated with the transactions will flow to the Group. Sales of goods are recognized when goods are delivered and title has passed. Sales of services are recognized by reference to the percentage of completion of the transaction at the balance sheet date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest applicable rate.

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Foreign currencies

Exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies, including realized and unrealized, during the construction stage of drilling rigs are recorded in the balance sheet under the account "foreign exchange differences" in the owner's equity section. Once the drilling rigs are completed, the accumulated exchange differences will be amortized over five years.

In preparation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in the local currency using exchange rates prevailing on the balance sheet date. Income and expenses (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign exchange difference reserves. Such differences are recognized in the income statement in the period in which the foreign operation is disposed of.

The balances of monetary assets, shortterm receivables and payables denominated in foreign currency are translated using exchange rate of the balance sheet date and recorded as stated in note 4. Other foreign exchange differences are recognize in the income statement when incurred.

Borrowing costs

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 cost of those assets.

All other borrowing costs are recognised in the income statement when incurred.

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Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

6. CASH AND CASH EQUIVALENTS	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Cash on hand	2,088,854,836	1,325,160,265
Cash in bank	212,558,474,632	193,785,462,026
Cash in transit	-	11,889,500
Cash equivalents	659,849,481,078	492,667,715,169
	<u>874,496,810,546</u>	<u>687,790,226,960</u>

Cash equivalents represent the time deposits with its term of three months or less.



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7. SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investment represents investment with its term over three months or less than one year.

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Time deposit	22,000,000,000	120,000,000,000
Government bond	44,538,500,160	-
	<u>66,538,500,160</u>	<u>120,000,000,000</u>

8. INVENTORIES

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Goods in transit	29,030,268,932	7,333,502,107
Raw materials	204,792,357,315	70,763,705,102
Tools and supplies	1,527,675,260	1,594,368,301
Work in progress	84,998,620,305	93,594,244,636
Merchandise	2,464,024,592	2,023,885,718
Goods on consignment	313,842,526	827,083,279
	<u>323,126,788,930</u>	<u>176,136,789,143</u>
Provision for devaluation of inventories	<u>(1,804,199,571)</u>	<u>(1,675,429,892)</u>
	<u>321,322,589,359</u>	<u>174,461,359,251</u>

9. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Others VND	Total VND
COST						
As at 1/1/2009	37,123,548,550	232,356,242,628	25,080,113,821	19,860,218,436	2,096,805,634,787	2,411,225,758,222
Additions	5,449,374,646	63,386,132,368	20,446,073,258	19,332,585,236	-	108,614,165,508
From construction in progress	203,625,014,826	10,723,856,440	-	-	7,165,161,920,322	7,379,510,791,588
Other increases	-	746,261,381	895,006,557	-	-	1,641,267,938
Disposals	-	(485,885,165)	(1,285,363,178)	(28,841,400)	-	(1,800,089,743)
Other decreases	(668,311,978)	(475,650,687)	(156,459,153)	(789,076,244)	(12,841,549,257)	(14,931,047,319)
As at 31/12/2009	<u>245,529,626,044</u>	<u>306,250,956,965</u>	<u>44,979,371,305</u>	<u>38,374,886,028</u>	<u>9,249,126,005,852</u>	<u>9,884,260,846,194</u>
ACCUMULATED DEPRECIATION						
As at 1/1/2009	8,130,172,543	94,193,725,754	10,852,342,643	9,760,699,209	275,669,220,205	398,606,160,354
Charge for the year	9,185,564,340	30,939,082,695	4,244,087,658	3,572,963,287	204,220,539,014	252,162,236,994
Other increases	-	38,744,397	114,124,476	792,275,507	-	945,144,380
Eliminated from disposals	-	(341,945,157)	(1,145,063,583)	(28,841,400)	-	(1,515,850,140)
As at 31/12/2009	<u>17,315,736,883</u>	<u>124,829,607,689</u>	<u>14,065,491,194</u>	<u>14,097,096,603</u>	<u>479,889,759,219</u>	<u>650,197,691,588</u>
NET BOOK VALUE						
As at 31/12/2009	<u>228,213,889,161</u>	<u>181,421,349,276</u>	<u>30,913,880,111</u>	<u>24,277,789,425</u>	<u>8,769,236,246,633</u>	<u>9,234,063,154,606</u>
As at 31/12/2008	<u>28,993,376,007</u>	<u>138,162,516,874</u>	<u>14,227,771,178</u>	<u>10,099,519,227</u>	<u>1,821,136,414,582</u>	<u>2,012,619,597,868</u>

Other decrease presents foreign exchange difference incurred from translation of Algeria Branch's financial statements with history cost of Dinar 1,445,959,707 in to Vietnam Dong.

As discussed in note 18, the Group mortgages certain of its assets with carry amount of VND 7,353,395,529,465 as at 31 December 2009 (31 December 2008: VND 3,571,767,320,103) as collaterials for the Group loans.

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10. INTANGIBLE ASSETS

	Land use rights VND	Others VND	Total VND
COST			
As at 1/1/2009	109,833,329,400	43,020,171,192	152,853,500,592
Additions	-	3,560,616,211	3,560,616,211
As at 31/12/2009	<u>109,833,329,400</u>	<u>46,580,787,403</u>	<u>156,414,116,803</u>
ACCUMULATED AMORTIZATION			
As at 1/1/2009	-	5,962,506,800	5,962,506,800
Charge for the year	-	4,680,420,966	4,680,420,966
As at 31/12/2009	-	<u>10,642,927,766</u>	<u>10,642,927,766</u>
NET BOOK VALUE			
As at 31/12/2009	<u>109,833,329,400</u>	<u>35,937,859,637</u>	<u>145,771,189,037</u>
As at 31/12/2008	<u>109,833,329,400</u>	<u>37,057,664,392</u>	<u>146,890,993,792</u>

11. CONSTRUCTION IN PROGRESS

	31/12/2009 VND	31/12/2008 VND
Drilling Jack-up rig II	-	1,400,442,580,427
Drilling Jack-up rig III	-	2,689,476,352,614
Others	40,235,064,525	23,268,894,422
	<u>40,235,064,525</u>	<u>4,113,187,827,463</u>

During the year, the Group has capitalized a portion of borrowing costs amounting to VND 135,416,016,300 (2008: VND 68,132,958,892) which incurred from loans financed for the Group's drilling rigs projects.

12. INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries at 31 December 2009 are as follows:

Name of subsidiaries	Registered charter capital		Contributed charter capital		Percent of interest %
	31/12/2009 VND	31/12/2008 VND	31/12/2009 VND	31/12/2008 VND	
PVD Offshore	80,000,000,000	80,000,000,000	57,640,139,096	57,640,139,096	100
PVD Well Services	50,000,000,000	50,000,000,000	804,342,798	804,342,798	100
PVD Logging	50,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000	100
PVD Tech	100,000,000,000	50,000,000,000	100,000,000,000	50,000,000,000	100
PVD Training	26,354,650,000	22,334,500,000	13,440,940,000	11,390,630,000	51

On 12 August 2007, the Group acquired 51% interest of PVD Training, formerly Cuu Long Company Limited, for a consideration of VND 6,970,091,000. As a result, the Group recognized a goodwill of VND 4,285,636,640.

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The movement in goodwill during the year is as follows:

	Goodwill <u>VND</u>
COST	
As at 1/1/2009 and 31/12/2009	<u>4,285,636,640</u>
ACCUMULATED AMORTIZATION	
As at 1/1/2009	857,130,304
Charge for the year	<u>428,563,300</u>
As at 31/12/2009	<u>1,285,693,604</u>
NET BOOK VALUE	
As at 31/12/2009	<u>2,999,943,036</u>
As at 31/12/2008	<u>3,428,506,336</u>

13. INVESTMENTS IN JOINT VENTURES

Summarized financial information in respect of the Group's joint ventures is set out below:

Name of joint ventures	Registered	Contributed charter capital		Percent of interest %
	charter capital <u>USD</u>	31/12/2009 <u>VND</u>	31/12/2008 <u>VND</u>	
BJ-PVD	1,000,000	7,880,670,000	7,880,670,000	49
PVD-PTI	4,000,000	34,238,560,029	34,238,560,029	51
PVD Tubulars	<u>3,500,000</u>	<u>30,548,750,000</u>	<u>20,271,435,771</u>	51

The book value of Group's share of joint ventures as balance sheet date as follow:

	31/12/2009 <u>VND</u>	31/12/2008 <u>VND</u>
BJ-PVD	22,481,496,286	22,117,998,104
PVD-PTI	36,547,013,489	32,586,968,695
PVD Tubulars	<u>33,200,247,888</u>	<u>20,271,435,771</u>
	<u>92,228,757,663</u>	<u>74,976,402,570</u>

The movement of Group's share of joint ventures' profit and investment value during the year:

	As at 31/12/2008 <u>VND</u>	Capital contribution <u>VND</u>	Profit distributed <u>VND</u>	Profit received <u>VND</u>	As at 31/12/2009 <u>VND</u>
BJ-PVD	22,117,998,104	-	47,387,999,202	47,024,501,020	22,481,496,286
PVD-PTI	32,586,968,695	-	3,960,044,794	-	36,547,013,489
PVD Tubulars	<u>20,271,435,771</u>	<u>10,277,314,229</u>	<u>2,651,497,888</u>	-	<u>33,200,247,888</u>
	<u>74,976,402,570</u>	<u>10,277,314,229</u>	<u>53,999,541,884</u>	<u>47,024,501,020</u>	<u>92,228,757,663</u>

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14. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Government bonds	-	44,538,500,160
Investment certificates/deposit	20,000,000,000	4,738,170,000
PV Shipyard	-	8,000,000,000
Petro Land	20,000,000,000	20,000,000,000
Sao Mai - Ben Dinh	-	95,418,000,000
	<u>40,000,000,000</u>	<u>172,694,670,160</u>

15. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized by the Group, and the movements thereon, during the current and prior reporting periods:

	Accruals and other provisions	Unrealized foreign exchange	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>
Credit to profit for the year	4,643,582,340	6,094,825,493	10,738,407,833
As at 31 December 2008	<u>4,694,507,340</u>	<u>6,094,825,493</u>	<u>10,789,332,833</u>
Credit/(Charge) to profit for the year	909,469,658	(6,755,432,008)	(5,845,962,350)
As at 31 December 2009	<u>5,603,976,998</u>	<u>(660,606,515)</u>	<u>4,943,370,483</u>

16. SHORT-TERM BORROWINGS AND LIABILITIES

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Short-term loans	4,886,507,544	1,762,464,258,050
Current portion of long-term loans (note 18)	801,746,546,832	221,345,311,104
	<u>806,633,054,376</u>	<u>1,983,809,569,154</u>

Details of short-term loans are follows:

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
PVFC	4,886,507,544	-
JP Morgan	-	408,296,850,000
DBS Bank Limited	-	471,111,750,000
BIDV	-	513,299,595,000
Vietcombank	-	55,681,563,050
ABN AMRO N.V. Bank ("ABN-AMRO")	-	314,074,500,000
	<u>4,886,507,544</u>	<u>1,762,464,258,050</u>

Short-term loan from PVFC, a related party, represents a short term credit facility to increase working capital of PVD Training with total credit limit of VND 5,000,000,000.

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17. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

	31/12/2009	31/12/2008
	<u>VND</u>	(Restated) <u>VND</u>
Value added tax	40,473,398,255	33,198,049,613
Import tax	196,574,040	1,543,772
Corporate income tax	84,726,066,530	44,259,017,368
Personal income tax	10,823,912,605	12,615,945,880
Withholding tax	20,375,970,301	5,317,066,452
	<u>156,595,921,731</u>	<u>95,391,623,085</u>

18. LONG-TERM LOANS AND LIABILITIES

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Long-term loans	6,343,790,612,046	2,100,263,767,104
Current portion of long-term loans (note 16)	(801,746,546,832)	(221,345,311,104)
	<u>5,542,044,065,214</u>	<u>1,878,918,456,000</u>

Details of long-term loans are as follows:

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Vietcombank	919,305,989,910	1,043,892,165,924
PVFC	179,929,947,013	213,134,775,525
BIDV for financing in PV Drilling II	2,719,358,925,123	843,236,825,655
BIDV for financing in PV Drilling III	627,935,000,000	-
The Hongkong and Shanghai Banking Corporation Limited	1,897,260,750,000	-
	<u>6,343,790,612,046</u>	<u>2,100,263,767,104</u>

On 4 July 2005, the Group had entered into a long-term loan agreement with Vietcombank for USD 80,237,605 to finance its Mobile Offshore Self-elevating Cantilever Drilling Jack-up Rig 90 meter water depth Project. The duration of the loan is 109.5 months from the first drawdown date including a grace period of 25.5 months. This loan will be repayable on semi-annual installments for 84 months after the grace period. This loan is guaranteed by PetroVietnam, the Group's major shareholder, and bears interest at the rate of SIBOR six-month plus a marginal interest rate. Interest shall be accrued to the principal every six-month during the grace period.

On 13 November 2006, the Group also entered into a long-term loan agreement with PVFC, a related party, for USD 18,599,000 to finance its acquisition of land drilling rig (PV Drilling 11). The duration of the loan is 84 months from the first drawdown date, including a grace period of 12 months for both principal and interest. This loan is secured by the assets acquired from the loan with net book value as at 31 December 2009 of VND 246,474,178,317 (at 31 December 2008: VND 291,392,191,020). This loan bears interest at SIBOR six-month plus a marginal interest rate. Interest applies every three-month for outstanding amount in arrears. This loan is repayable on 12 semi-annual installments starting from 13 May 2008.

On 31 December 2007, the Group also entered into a long-term syndicated loan agreement with BIDV, PVFC and Eximbank for USD 155,000,000 to finance its Mobile Offshore Self-elevating Cantilever Drilling Jack-up Rig II Project. The duration of the loan is 132 months from the first drawdown date, including a grace period of 24 months for both principal and interest. This loan is secured by the assets acquired from the loan with net book value of VND 3,325,293,141,786. This



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loan bears interest at the interest rate of deposit of 12 months by USD which is calculated on average interest rates of syndicated credit institutions plus a marginal interest rate and it is not exceeding a fixed rate which has been agreed with these credit institutions. Interest applies every six-month for outstanding amount in arrears. This loan is repayable on 18 semi-annual installments starting from 10 July 2010.

On 28 September 2009, the Group also entered into a long-term loan agreement with BIDV for USD 35,000,000 to finance the Drilling Jack-up Rig III Project. The duration of the loan is 72 months from the first drawdown date. This loan bears interest at the interest rate of deposit of 12 months by USD from economic institutions plus a marginal interest rate. Interest applies every three-month for outstanding amount in arrears. This loan is repayable on 12 semi-annual installments starting from the date of loan agreement.

On 8 December, 2008, the Group entered into a syndicated long-term loan with The Royal Bank of Scotland N.V (formerly known as ABN AMRO Bank N.V.) Australia and New Zealand Banking Group Limited, The Hong Kong and Shanghai Banking Corporation Limited which were subsequently joined by Oversea-Chinese Banking Corporation Limited, First Commercial Bank, Far East National Bank, Vietnam Technology Commercial Bank and Land Bank of Taiwan for USD 115 millions to finance for the repayment of short-term bridging loans and payments related to constructing the Drilling Jack-up Rig III Project. This loan is guaranteed by PetroVietnam and by the assets acquired from the loan with net book value of VND 3,781,628,209,362. This loan bears interest that is payable on a annual basis at LIBOR three-month plus a marginal interest rate. This loan is repayable in five years after the grace period of 18 months from the date of loan agreement.

Long-term loans are repayable as follows:

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
On demand or within one year	801,746,546,832	221,345,311,104
In the second year	1,059,199,896,832	513,349,711,104
In the third to fifth years inclusive	3,044,472,647,026	1,191,586,717,242
After five years	1,438,371,521,356	173,982,027,654
	<u>6,343,790,612,046</u>	<u>2,100,263,767,104</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(801,746,546,832)	(221,345,311,104)
Amount due for settlement after twelve months	<u>5,542,044,065,214</u>	<u>1,878,918,456,000</u>

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19. SHAREHOLDERS' EQUITY

According to the Group's amended Business Registration Certificate dated 5 February 2010, the charter capital is VND 2,105,082,150,000 (2008: VND 1,321,675,040,000).

The Group's share par value and number of shares as follows:

	31/12/2009	31/12/2008
Authorized	210,508,215	132,167,504
Shares issued and fully contributed	210,508,215	132,167,504
Par value (VND)	<u>10,000</u>	<u>10,000</u>

The Group has one class of ordinary share which carry no right to fixed income. The shareholders of ordinary shares are entitles to receive dividends as declared from time to time and are entitled to one vote per share at the Group's shareholders meetings. All shares rank equally with regard to the

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Company's residual assets. Petro Vietnam is the founding shareholder and also the main shareholder of the Group at 31 December 2009 with 50.38% of charter capital.

Movement of shareholders' equity during the year were as follows:

	Charter capital VND	Share premium VND	Foreign exchange differences VND	Investment and development fund VND	Financial reserve fund VND	Retained earnings VND	Total VND
As at 1/1/2008	1,101,397,300,000	201,153,600,000	9,872,495,037	58,751,471,235	34,554,623,567	424,716,279,644	1,830,445,769,483
Share dividends	220,277,740,000	-	-	-	-	(220,277,740,000)	-
Foreign exchange differences	-	-	(3,898,050,608)	-	-	-	(3,898,050,608)
Profit for the year	-	-	-	-	-	879,631,812,721	879,631,812,721
Dividends paid	-	-	-	-	-	(534,289,112,230)	(534,289,112,230)
Funds distributions	-	-	-	90,824,625,131	45,356,763,632	(236,875,032,795)	(100,693,644,032)
As at 31/12/2008	1,321,675,040,000	201,153,600,000	5,974,444,429	149,576,096,366	79,911,387,199	312,906,207,340	2,071,196,775,334
Merging with PVD Invest	257,162,850,000	1,181,143,768,926	(5,463,718,305)	(1,798,517,224)	(985,560,645)	(14,993,911,791)	1,415,064,910,961
Foreign exchange differences	-	-	790,130,745	-	-	-	790,130,745
Profit for the year	-	-	-	-	-	814,611,962,015	814,611,962,015
Dividends paid	526,244,260,000	-	-	-	-	(526,244,260,000)	-
Funds distributions	-	-	-	79,796,044,579	32,903,297,969	(188,955,706,995)	(76,256,364,447)
As at 31/12/2009	2,105,082,150,000	1,382,297,368,926	1,300,856,869	227,573,623,721	111,829,124,523	397,324,290,569	4,225,407,414,608

During the year, the Group has increased its charter capital by VND 526,244,260,000 (2008: VND 220,277,740,000) by issuing additional 52,624,426 shares (2008: 22,027,774 shares) to existing shareholders using its retained earnings. In addition, the Group also issued additional 25,716,285 shares to exchange with the shareholders of PVD Invest to merger this company into the Company as stated in note 1. These issuances of new shares have already approved by the Group's shareholder at the Annual General Meetings.

As at 31 December 2009, the Group temporarily appropriated a part of the 2009 consolidated profit after tax for three funds which are Financial Reserve Fund, Investment and Development Fund, Bonus and Welfare Fund in accordance with the Group's Charter. The final amounts of such appropriations will be determined and approved by the shareholders in the general annual shareholders meeting.

Details movement of foreign exchange differences:

	Exchange rate difference in translating foreign operation (Algeria Branch) VND	Exchange rate difference during construction stage (PVD Invest) VND	Exchange rate difference from revaluation of monetary balances VND	Total VND
As at 1/1/2008	9,872,495,037	-	-	9,872,495,037
Additions	18,395,662,657	(43,713,163,264)	-	(25,317,500,607)
Attributable to the minority interest	-	21,419,449,999	-	21,419,449,999
As at 31/12/2008	28,268,157,694	(22,293,713,265)	-	5,974,444,429
Additions	(13,881,331,524)	(96,096,247,634)	(13,085,969,301)	(123,063,548,459)
Transfer to long-term prepayments	-	131,422,999,685	-	131,422,999,685
Transfer to unrealized revenue	-	(7,569,320,481)	-	(7,569,320,481)
Adjust on merging	-	(5,463,718,305)	-	(5,463,718,305)
As at 31/12/2009	14,386,826,170	-	(13,085,969,301)	1,300,856,869

20. MINORITY INTEREST

Minority interest presents the minority shareholders portion in net assets value and income statement of PVD Training. As stated in note 1, during the year, the Company has completed the merging process with PVD Invest by share swapping transaction to own 100% of PVD Invest's share capital. As a result, the minority interest in PVD Invest has belonged to the Company's shareholders.

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Rate of the minority interest in PVD Training was calculated as follows:

	<u>VND</u>
Charter capital of subsidiaries	26,354,650,000
Including:	
Distributed capital of the Group	13,440,940,000
Distributed capital of the minority shareholders	<u>12,913,710,000</u>
Rate of the non-controlling interest	<u>49%</u>

Minority interest in net asset as at 31 December 2009 and 2008:

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Total assets	40,993,957,014	4,345,376,636,268
Total liabilities	(12,832,693,898)	(3,342,465,189,714)
Net assets	<u>28,161,263,116</u>	<u>1,002,911,446,554</u>
<i>Details as follow:</i>		
Charter capital	26,354,650,000	1,021,511,660,000
Other resources	286,965,903	(40,714,513,161)
Retained earnings	<u>1,519,647,213</u>	<u>22,114,299,715</u>
Non-controlling interest	13,658,401,685	490,960,731,651
<i>Details as follow:</i>		
Charter capital	12,913,710,000	500,121,040,000
Other resources	-	(19,956,421,570)
Retained earnings	<u>744,691,185</u>	<u>10,796,113,221</u>

Minority interest in operating result for the year ended 31 December 2009 and 2008:

	2009	2008
	<u>VND</u>	<u>VND</u>
Profit for the year	6,223,069,561	22,338,003,954
Minority interest of operating result	<u>3,049,304,085</u>	<u>10,817,239,081</u>

21. NET SALES

	2009	2008
	<u>VND</u>	<u>VND</u>
Sale of goods	719,031,615,462	706,391,540,167
Sale of drilling services	1,399,921,577,141	1,503,016,439,145
Sale of well services and others	<u>1,977,827,267,328</u>	<u>1,519,338,011,459</u>
	<u>4,096,780,459,931</u>	<u>3,728,745,990,771</u>

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22. COST OF GOODS SOLD

	2009	2008
	<u>VND</u>	<u>VND</u>
Cost of goods sold	666,890,561,051	663,203,344,102
Cost of drilling services	606,517,837,927	605,585,984,198
Cost of well services and others	<u>1,583,380,964,164</u>	<u>1,251,561,527,124</u>
	<u>2,856,789,363,142</u>	<u>2,520,350,855,424</u>

23. FINANCIAL INCOME

	2009	2008
	<u>VND</u>	<u>VND</u>
Interest income	78,218,887,345	73,539,962,615
Unrealized foreign exchange gain	2,789,590,629	4,129,326,936
Realized foreign exchange gain	122,253,842,271	56,666,398,238
Other financial income	<u>10,208,333</u>	<u>387,073,827</u>
	<u>203,272,528,578</u>	<u>134,722,761,616</u>

24. FINANCIAL EXPENSES

	2009	2008
	<u>VND</u>	<u>VND</u>
Interest expense	71,726,406,915	78,731,366,518
Unrealized foreign exchange loss	139,879,316,077	75,261,228,545
Realized foreign exchange loss	106,769,027,920	72,264,054,767
Provision for decline in value of investments	-	2,550,576,000
Other financial expenses	<u>3,864,272,516</u>	<u>239,377,981</u>
	<u>322,239,023,428</u>	<u>229,046,603,811</u>

25. CURRENT TAX EXPENSE

	2009	2008
	<u>VND</u>	(Restated) <u>VND</u>
Profit before tax	925,934,905,777	928,748,308,642
Less: non-assessable income	(53,999,541,884)	(58,319,344,073)
Less: unrealized foreign exchange in revaluation of current liabilities	(10,981,143,543)	-
Add back: non-deductible expenses	<u>10,246,421,755</u>	<u>96,287,239,115</u>
Assessable income	871,200,642,105	966,716,203,684
Current tax expense	217,537,417,449	37,132,604,440
Tax deduction	(115,370,655,181)	(510,212,376)
Additional tax expense of previous year	<u>260,915,058</u>	-
Current tax expense	<u>102,427,677,326</u>	<u>36,622,392,064</u>

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According to the official letter date 21 August 2009 of the Ministry of Finance, the Group's subsidiaries including PVD Logging, PVD Well and PVD Tech are not entitled to tax incentive for the year 2007 and 2008. Therefore, the Group's subsidiaries has to pay additional corporation income tax of year 2007 and 2008 with total amount of VND 42,626,792,070 in which the additional income tax of financial year 2008 is VND 30,211,519,461. The Group has restated the financial statement for the year ended 31 December 2008 to record this additional income tax. Accordingly, the Group's amounts payable to State budget as at 31 December 2008 increased VND 42,626,792,070 and the Group's profit after tax for the year ended 31 December 2008 decreased an amount of VND 30,211,519,461. The details of the restatement and its impact to the financial statements for the year ended 31 December 2008 are stated in note 3.

The Company and PVD Offshore are entitled to corporate income tax exemption for two years (2007 and 2008) and a reduction of 50% in the following five years.

PVD Training has the obligation to pay Corporate Income Tax ("CIT") at the rates from 0% to 25% of taxable profits for its activities. It is entitled to corporate income tax exemption for three years from 2005 to 2007 and a 50% reduction for the following seven years for its technical training activities; and two years exemption from 2005 to 2006 and a 50% reduction for seven years from 2007 to 2013 for its security training activities.

Except for PVD Offshore, the Group is entitled to the deduction of 30% tax payable for fourth quarter of 2008 and whole year 2009 in according with Circular No.03/2009/TT-BTC dated 13 January 2009.

The Group's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

26. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Group is based on the following data:

	2009	2008
	<u>VND</u>	(Restated) <u>VND</u>
Net profit attributable to ordinary shareholders	814,611,962,016	892,047,085,330
Less: Unrealized foreign exchange gains	-	(4,129,326,936)
Deferred tax income	<u>(2,074,620,880)</u>	<u>(10,917,622,720)</u>
Earnings for the purposes of basic earnings per share	812,537,341,136	877,000,135,674
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>138,537,894</u>	<u>122,089,043</u>
Earnings per share	<u>5,865</u>	<u>7,183</u>

27. CONTINGENT LIABILITIES

Up to the date of this report, the Group has not completed the tax finalization for its branch operation in Algeria applied tax finalization procedure of local country and of PVD Invest at the date of liquidation. The tax finalization will be done by the Authorities of Algeria upon the completion of Algeria project and the tax liabilities will be determined at that time. Tax obligation of PVD Invest will be finalized as at the time PVD Invest complete necessary administration procedures with related authorities in order to withdraw the Business Registration Certificate after being merged into the

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Company. Up to the report date, the Group has been continuously working with authorities to complete requested procedures.

The Group's management believes that there is no significant tax liability needs to be provided for in the Group's financial statements in relation to tax liabilities of Algeria branch and PVD Invest.

28. COMMITMENTS

Capital commitments

On 3 December 2009, the Group entered into a contract with Keppel Fels Limited Company to build a Tender Assist Drilling Rig - TAD for contracted amount of USD 192,053,854. The rig is estimated to complete and start operating in Quarter 4 of 2011. The rig is invested under Business Cooperation Contract in which PVD owns 51%.

Lease commitments

At the balance sheet date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

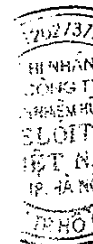
	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Within one year	21,056,276,772	19,094,565,100
In the second to fifth years inclusive	66,283,769,576	54,402,896,236
After five years	185,861,794,710	18,517,343,594
	<u>273,201,841,058</u>	<u>92,014,804,930</u>

Operating lease payments represent total rental payable for leasing office premises in Ho Chi Minh City and Vung Tau City and the service charge payable to Sailing Tower during the lease term. These leases are negotiated for periods from 1 year to 8 years.

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2009	2008
	<u>VND</u>	<u>VND</u>
Sales		
PetroVietnam Group's subsidiaries	263,931,162,893	203,645,992,732
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>1,120,015,302,911</u>	<u>1,818,523,473,578</u>
Purchases		
PetroVietnam Group's subsidiaries	149,907,341,505	3,375,509,152
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>-</u>	<u>295,803,054,400</u>
Loan from PVFC		
Repayments of loan principals	<u>47,424,660,150</u>	<u>44,954,031,500</u>



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Remuneration paid to the Group's Boards of Management and Directors during the year was as follows:

	2009	2008
	<u>VND</u>	<u>VND</u>
Salaries	4,821,816,490	4,165,775,341
Bonus	4,821,069,819	4,900,163,737
Benefits in kind	288,000,000	168,000,000
	<u>9,930,886,309</u>	<u>9,233,939,078</u>

Related party balances at the balance sheet date were as follows:

	31/12/2009	31/12/2008
	<u>VND</u>	<u>VND</u>
Receivables		
PetroVietnam Group's subsidiaries	824,631,154	889,510,280
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>561,785,266,984</u>	<u>111,379,068,171</u>
Payables		
PetroVietnam Group's subsidiaries	19,205,795,071	9,916,738,956
Loan payables		
PetroVietnam Group's subsidiaries	<u>184,816,454,557</u>	<u>213,134,775,525</u>
Dividends payables		
PetroVietnam	<u>12,408,188,494</u>	<u>166,464,000,000</u>

30. APPROVAL OF ISSUANCE

The consolidated financial statements for the year ended 31 December 2009 have been approved by the Group's Board of Management on 31 March 2010.



Doan Van Khanh
Chief Executive Officer and President
31 March 2010

Doan Dac Tung
Chief Accountant