

**PETROVIETNAM DRILLING AND WELL
SERVICE CORPORATION**
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 December 2010



TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF BOARD OF DIRECTORS	1 - 2
AUDITORS' REPORT	3
CONSOLIDATED BALANCE SHEET	4 - 5
CONSOLIDATED INCOME STATEMENT	6
CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8 - 28

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 consolidated financial statements for the year ended 31 December 2010.

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. Do Duc Chien	Chairman (appointed on 1 April 2010)
Mr. Le Nhu Linh	Chairman (resigned on 31 March 2010)
Mr. Doan Dinh Thai	Vice Chairman (appointed on 1 April 2010)
Mr. Duong Xuan Quang	Member
Ms. Dinh Thi Thai	Member (appointed on 22 February 2010)
Mr. Dam Hai Giang	Member (resigned on 22 February 2010)
Ms. Kieu Thi Hoai Minh	Member (appointed on 1 April 2010)
Mr. Tran Van Hoat	Member (resigned on 31 March 2010)
Mr. Le Van Be	Member (appointed on 1 April 2010)
Mr. Pham Tien Dung	Member (resigned on 31 March 2010, re-appointed on 5 August 2010)
Mr. Do Van Khanh	Member (resigned on 5 August 2010)

Board of Directors

Mr. Pham Tien Dung	Chief Executive Officer and President (appointed on 5 August 2010)
Mr. Do Van Khanh	Chief Executive Officer and President (resigned on 5 August 2010)
Mr. Tran Van Hoat	Vice President
Mr. Van Duc Tong	Vice President
Mr. Ho Vu Hai	Vice President
Ms. Ho Ngoc Yen Phuong	Vice President
Mr. Dao Ngoc Anh	Vice President
Mr. Nguyen Xuan Cuong	Vice President (appointed on 1 September 2010)

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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 relevant 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,



Pham Tien Dung
Chief Executive Officer and President
9 April 2011

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No: 349 /2011/Deloitte-AUDHCM-RE

AUDITORS' REPORT

To: The shareholders, the Boards of Management and Directors
PetroVietnam Drilling and Well Service Corporation

We have audited the accompanying consolidated balance sheet of PetroVietnam Drilling and Well Service Corporation ("the Company") its subsidiaries ("the Group") and as at 31 December 2010, the related statements of consolidated income and consolidated cash flows for the year then ended, and the notes thereto (collectively referred to as "the consolidated financial statements"), as set out from page 4 to page 28. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Directors and Auditors

As stated in the Statement of the Board of Directors on page 1 and 2, these consolidated financial statements are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

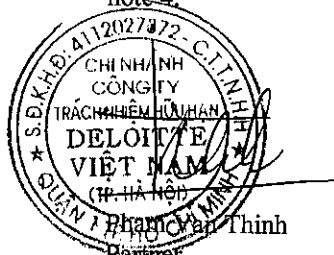
Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Group as at 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

As stated in notes 4 of the notes to the consolidated financial statements, the Company decides to recognize foreign exchange differences in accordance with Circular No.201/2009/TT-BTC dated 15 October 2009 issued by the Ministry of Finance. The recognition of foreign exchange differences arising from revaluation of monetary items denominated in foreign currencies at the balance sheet date in accordance with this Circular differs from that as regulated in Vietnamese Accounting Standard 10. The effect of the Company's adoption of this circular on the consolidated financial statements for the year ended 31 December 2010 is also presented in note 4.



Phạm Văn Thịnh
Partner

CPA Certificate No. D.0028/KTV
For and on behalf of
Deloitte Vietnam Company Limited
9 April 2011
Ho Chi Minh City, S.R. Vietnam

Nguyen Thi Thu Sang
Auditor
CPA Certificate No. 1144/KTV

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 2010

CONSOLIDATED BALANCE SHEET

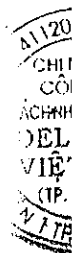
As at 31 December 2010

FORM B 01-DN/HN

Unit: USD

ASSETS	Codes	Notes	31/12/2010	31/12/2009
A. CURRENT ASSETS	100		169,585,641	142,967,771
I. Cash and cash equivalents	110	5	45,138,885	48,742,924
1. Cash	111		21,717,958	11,964,067
2. Cash equivalents	112		23,420,927	36,778,857
II. Short-term financial investments	120	6	1,356,412	3,708,740
1. Short-term investments	121		1,356,412	3,708,740
III. Short-term receivables	130		102,885,888	70,683,096
1. Trade accounts receivable	131		98,530,559	63,358,680
2. Advances to suppliers	132		425,932	823,767
3. Other receivables	135		4,344,361	6,753,684
4. Provision for doubtful debts	139		(414,964)	(253,035)
IV. Inventories	140	7	18,087,528	17,909,960
1. Inventories	141		18,197,276	18,010,523
2. Provision for devaluation of inventories	149		(109,748)	(100,563)
V. Other short-term assets	150		2,116,928	1,923,051
1. Short-term prepayments	151		1,171,614	1,371,022
2. Value added tax deductibles	152		535,336	280,097
3. Other tax receivable from State budget	154		-	2,669
4. Other short-term assets	158		409,978	269,263
B. NON-CURRENT ASSETS	200		603,695,927	546,422,182
I. Fixed assets	220		580,090,030	525,058,213
1. Tangible fixed assets	221	8	494,509,351	514,690,549
- Cost	222		562,497,200	550,931,433
- Accumulated depreciation	223		(67,987,849)	(36,240,884)
2. Intangible assets	227	9	7,843,827	8,125,032
- Cost	228		8,781,340	8,718,250
- Accumulated amortization	229		(937,513)	(593,218)
3. Construction in progress	230	10	77,736,852	2,242,632
II. Long-term financial investments	250		7,903,894	7,370,200
1. Investments in joint ventures	252	11	6,260,923	5,140,670
2. Other long-term investments	258	12	1,642,971	2,229,530
III. Other non-current assets	260		15,558,679	13,826,557
1. Long-term prepayments	261	13	14,291,484	12,763,668
2. Deferred tax assets	262	14	481,400	275,535
3. Other non-current assets	268		785,795	787,354
IV. Goodwill	270	15	143,324	167,212
TOTAL ASSETS	280		773,281,568	689,389,953

The accompanying notes set out on pages 8 to 28 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 2010

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2010

FORM B 01-DN/HN

Unit: USD

RESOURCES	Codes	Notes	31/12/2010	31/12/2009
A. LIABILITIES	300		496,345,290	453,111,830
I. Current liabilities	310		210,854,825	142,150,891
1. Short-term borrowings and liabilities	311	16	75,366,746	44,960,317
2. Trade accounts payable	312		84,990,527	56,459,644
3. Advances from customers	313		142,301	68,122
4. Taxes and amounts payable to State budget	314	17	10,246,281	8,728,383
5. Payables to employees	315		482,853	354,454
6. Accrued expenses	316		31,069,978	23,357,709
7. Other current payables	319		8,083,336	6,603,630
8. Short-term provision	320	18	-	1,269,557
9. Bonus and welfare funds	323		472,803	349,075
II. Long-term liabilities	330		285,490,465	310,960,939
1. Long-term loans and liabilities	334	19	279,520,817	308,903,855
2. Provision for severance allowance	336		1,848,265	1,671,505
3. Unearned revenue	338		249,168	385,579
4. Scientific and technological fund	339	20	3,872,215	-
B. EQUITY	400		276,088,987	235,516,828
I. Shareholders' equity	410	21	276,088,987	235,516,828
1. Charter capital	411		117,333,602	117,333,602
2. Share premium	412		77,037,828	77,046,841
3. Treasury shares	414		(1,965,071)	-
4. Foreign exchange reserves	416		427,503	72,507
5. Investment and development fund	417		17,374,910	12,684,556
6. Financial reserve fund	418		8,566,920	6,233,160
7. Retained earnings	420		57,313,295	22,146,162
C. MINORITY INTEREST	500	22	847,291	761,295
TOTAL RESOURCES	600		773,281,568	689,389,953

OFF BALANCE SHEET ITEMS

Foreign currencies

VND

498,129,142,897 630,794,317,493

EUR

16,530 16,519

GBP

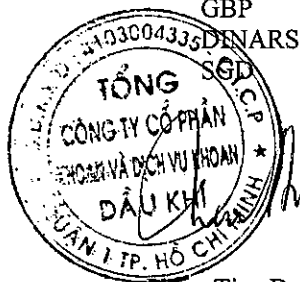
1,189 389,429

DENARS

7,866,320 6,095,159

SGD

3,603 5,722



Phạm Tien Dung
Chief Executive Officer and President
9 April 2011

Doan Dac Tung
Chief Accountant

The accompanying notes set out on pages 8 to 28 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 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

FORM B 02-DN/HN

Unit: USD

ITEMS	Codes	Notes	2010	2009
1. Gross sales	10	23	406,638,135	240,055,107
2. Cost of sales	11	24	(312,229,816)	(167,396,541)
3. Gross profit	20		94,408,319	72,658,566
4. Financial income	21	25	9,431,108	11,910,965
5. Financial expenses	22	26	(25,819,234)	(18,881,930)
<i>In which: Interest expense</i>	23		(16,792,899)	(4,202,883)
6. Selling expenses	24		(157,357)	(139,854)
7. General and administration expenses	25		(24,153,183)	(15,921,349)
8. Operating profit	30		53,709,653	49,626,398
9. Other income	31		4,627,720	8,102,319
10. Other expenses	32		(6,374,164)	(6,636,759)
11. (Loss)/Profit from other activities	40		(1,746,444)	1,465,560
12. Income from investment in joint ventures	50	11	2,740,017	3,164,159
13. Profit before tax	60		54,703,226	54,256,117
14. Current tax expense	61	27	(7,367,251)	(6,001,856)
15. Deferred tax income/(expense)	62	14	220,129	(342,550)
16. Profit after tax	70		47,556,104	47,911,711
<i>Attributable to:</i>				
- Minority interest		22	192,985	178,677
The Group's shareholders			47,363,119	47,733,034
17. Earnings per share	80	28	<u>0.23</u>	<u>0.34</u>



Phạm Tiến Dũng
Chief Executive Officer and President
9 April 2011

Doan Dac Tung
Chief Accountant



PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

4th Floor, Sailing Tower, 111A Pasteur Street, District 1
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Consolidated Financial Statements
For the year ended 31 December 2010

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

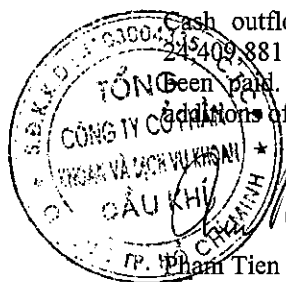
FORM B 03-DN/HN

Unit: USD

ITEMS	Codes	2010	2009
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	54,703,226	54,256,118
2. Adjustments for:			
Depreciation and amortization	02	32,764,389	15,049,962
Provisions	03	171,114	1,053,145
Unrealized exchange (gains)/losses	04	(659)	8,032,920
Gains from investing activities	05	(5,248,646)	(7,676,920)
Interest expense	06	16,792,899	4,202,883
3. Operating profit before movements in working capital	08	99,182,323	74,918,108
Increase in receivables	09	(38,859,386)	(6,296,568)
Increase in inventories	10	(186,753)	(8,613,032)
Increase in accounts payable	11	33,218,181	36,208,623
Increase in prepaid expenses	12	(1,328,408)	(12,893,183)
Interest paid	13	(12,637,255)	(2,702,846)
Corporate income tax paid	14	(8,380,248)	(3,564,332)
Other cash inflows	15	172,062	-
Other cash outflows	16	(4,952,469)	(5,221,700)
Net cash from operating activities	20	66,228,047	71,835,070
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(79,857,433)	(209,400,663)
2. Proceeds from disposals of fixed assets and other long-term assets	22	320,649	-
3. Cash recovered from lendings	24	9,581,224	-
4. Investments in other entities	25	(1,207,342)	(3,063,244)
5. Interest income and dividends received	26	-	2,755,449
6. Interest income from cash deposit	27	3,898,699	4,680,878
Net cash used in investing activities	30	(67,264,203)	(205,027,580)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Capital withdrawals, buying treasury shares	32	(1,974,084)	-
2. Proceeds from borrowings	33	51,011,804	232,968,242
3. Repayments of borrowings	34	(51,429,684)	(96,546,386)
Net cash (used in)/from financing activities	40	(2,391,964)	136,421,856
Net (decrease)/increase in cash and cash equivalents	50	(3,428,120)	3,229,346
Cash and cash equivalents at beginning of year	60	48,742,924	40,301,783
Effect of changes in foreign exchange rates	61	(175,919)	3,545
Effect of changes in currency conversion	62	-	5,208,250
Cash and cash equivalents at end of year	70	45,138,885	48,742,924

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and other long-term assets excluded an amount of USD 24,409,881 (2009: USD 16,109,068), representing additions of fixed assets during the year that have not yet been paid. However, it included an amount of USD 16,039,119 (2009: USD 27,798,673) representing additions of fixed assets during the prior year that were paid in the current year.



Phạm Tiến Dũng
Chief Executive Officer and President
9 April 2011

Doan Dac 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 amendments 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 consisted of two divisions and an oversea branch as follows:

- The Drilling Division was established in accordance with the Resolution of the Company’s Board of Management dated 9 April 2007 and the Decision No.1249/QĐ-PVD of the President dated 24 May 2007 changing the Drilling Management Committee into the Drilling Division and in accordance with the Business Registration License No. 0302495126-007 dated 16 March 2010 replacing the Business Registration Certificates No. 4113028028 issued by the DPI of Ho Chi Minh City. The Drilling Division’s registered office is located at 3rd Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh city, S.R. Vietnam.
- PVD Drilling Investment Division (“PVD Invest”) was established in accordance with the Decision No. 06/12/QĐ-HĐQT dated 30 December 2009 by the Board of Management and the Business Registration License No. 0302495126 dated 18 January 2010 issued by the DPI of Ho Chi Minh City. PVD Invest’s office is located at 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam.
- Algeria Branch was established in accordance with the Decision No.13/QĐ-HĐQT dated 2 March 2006 by the Board of Management and Establishment Certificate No.04/STM-TT.TNNN dated 23 March 2006 issued by the Trade Department of Ho Chi Minh city. The Algeria Branch office is located at Algeria Cité Si El, Houas, No. 02, Villa No. 101. Hassi Messaoud, Ouargla, Algeria. Algeria Branch is directly controlled and managed by the Drilling Division.

The Subsidiaries

PVD Offshore Services Company Limited (“PVD Offshore”) is a limited liabilities company established in accordance with the 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, S.R. Vietnam.

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

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

Petroleum Trading and Technical Services Company Limited (“PVD Tech”) is a limited liabilities company established in accordance with the Business Registration Certificate No. 035124602 issued by the DPI of Ho Chi Minh City on 13 October 2010 replacing for Business Registration Certificate No.4104001532 issued on 9 August 2007. PVD Tech’s registered office is located at 8th Floor Green Power Building, 35 Ton Duc Thang Street, Ben Nghe District, Ho Chi Minh City, S.R. Vietnam.

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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 2010

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

PVD Technical Training & Certification Joint Stock Company Limited (“PVD Training”), formerly Cuu Long Company Limited, is a joint stock company established in accordance with the 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, S.R. Vietnam.

PVD Deepwater Drilling Company Limited (“PVD Deep Water”), is a limited liabilities company established in accordance with the Business Registration Certificate No.0310139354 issued by the DPI of Ho Chi Minh City on 14 July 2010. PVD Deep Water ‘s registered office is located at 4th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam.

The percentage of the Group’s interest and the subsidiaries’ chartered capital and their capital contribution status are further disclosed in note 15.

The Joint Ventures

BJ Services-PV Drilling Joint Venture Company Limited (“BJ-PVD”) is a joint venture company established 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, S.R. Vietnam.

PV Drilling Production Testers International Company Limited (“PVD-PTI”) is a joint venture company established 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, S.R. Vietnam.

PetroVietnam Drilling Tubulars Management Company Ltd. (“PVD Tubulars”) is a joint venture company established in accordance with Investment Certificate No. 492022000134 dated 7 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, S.R. Vietnam.

Principal activities

The Group is principally engaged in providing drilling services, well services, wireline logging, oil spill control service, drilling rig, equipment, drilling manpower supply service, investment-management project consulting service, management consulting service, and other related services in the oil and gas industry.

2. ACCOUNTING CONVENTION AND FISCAL YEAR

Accounting convention

The accompanying financial statements, expressed in United States Dollars (USD), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The expression of financial statement in USD is registered and approved by the Ministry of Finance in Letter No.8036/BTC-CĐKT dated 21 June 2010 with effective from 1 January 2010. The Group’s management believes that the presentation of the consolidated financial statement of the Group in USD is necessary to reflect the economic nature of the Group’s business transactions.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

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

Fiscal year

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

3. NEW ACCOUNTING GUIDANCE ISSUED NOT YET ADOPTED

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments. The adoption of this circular requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Group's management is considering the extent of impact of the adoption on the Group's consolidated financial statements for future accounting periods.

4. 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 relevant 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 Company 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.

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 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.

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

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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 2010

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

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.

Joint venture arrangements that involve a jointly controlled and possessed assets acquired by joint venture parties and utilized for joint venture purposes are referred to as jointly controlled assets. The Group accounts capital contribution to jointly controlled assets and any liabilities incurred jointly with other ventures at the agreed rate of joint venture arrangements. Liabilities incurred in separate is accounted fully to the Group's statement.

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 consolidated balance sheet.

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.

Provision for devaluation of inventory is made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

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:

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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 2010**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*

	2010 <u>Years</u>	2009 <u>Years</u>
Plants and buildings	6 - 50	6 - 10
Machinery and equipment	5 - 20	5 - 8
Office equipment	3 - 4	3 - 4
Motor vehicles	7	7
Other assets	3 - 7	10 - 20

With effect from 1 January 2010, the Group's management decided to change the Group's depreciation rate applied for certain assets which acquired from 2010, according to Circular 203/2009/TT-BTC dated 20 October 2009, as presented above. This change does not have significant impact on the Group's depreciation expense during the year.

During the year, the Group has reclassified drilling rigs from other assets to machinery and equipments (see note 8) in according with Circular 203/2009/TT-BTC dated on 20 October 2009 guiding the management, usage and calculating of depreciation. Hence, the term depreciation of other assets and machinery and equipments are changed accordingly.

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

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Intangible assets and amortization

Intangible assets represent land use rights, computer software and other intangible assets that are stated at cost less accumulated amortization. Land use rights with indefinite time are not amortized. Software and other intangible assets are amortized on a straight-line basis over five years and twenty years as respectively.

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. 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.



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

Long-term prepayments

Long-term prepayments comprise foreign exchange losses during construction progress, 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 for periods from one to five years.

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

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

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate. Dividend income from investments is recognised 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 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 subsidiaries and foreign operations, including comparative figures, are translated into reporting currency using exchange rates prevailing at the balance sheet date. Income and expenses 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 recorded under the Group's foreign exchange reserves in the equity section. Such differences will be recognized in the income statement once the subsidiaries and foreign operations are disposed.

The Group accounts for foreign exchange differences in accordance with Circular No.201/2009/TT-BTC dated 15 October 2009 issued by the Ministry of Finance. Accordingly, transactions arising in

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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 2010

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

foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date and are accounted for as follows:

- Exchange differences incurred from revaluation of monetary items, short-term receivables and payables are recorded in the balance sheet in the "foreign exchange reserves" item under equity section.
- Foreign exchange differences incurred from revaluation of long-term receivables are recorded in the income statement
- Foreign exchange differences incurred from revaluation of long-term payables are recorded in the income statement.

The application of 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". Should VAS 10 applied, the Group's profit before tax for the year ended 31 December 2010 would increase by USD 878,958 (2009: decrease by USD 729,389) and the foreign exchange reserves as at 31 December 2010 and 2009 would decrease and increase by the same amount.

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. Other borrowing costs are recognized in the income statement when incurred.

Provisions

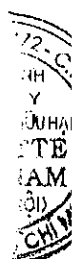
Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet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



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 2010**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*

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.

5. CASH AND CASH EQUIVALENTS

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Cash on hand	247,218	116,429
Cash in bank	21,470,740	11,847,638
Cash equivalents	<u>23,420,927</u>	<u>36,778,857</u>
	<u>45,138,885</u>	<u>48,742,924</u>

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

6. SHORT-TERM FINANCIAL INVESTMENTS

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Time deposit	1,356,412	1,226,242
Government bond	-	2,482,498
	<u>1,356,412</u>	<u>3,708,740</u>

The short-term financial investment represent investments with its term of more than three months to one year.

7. INVENTORIES

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Goods in transit	3,744,720	1,618,096
Raw materials	13,061,896	11,414,769
Tools and supplies	100,509	85,150
Work in progress	517,502	4,737,675
Merchandise	137,937	137,340
Goods on consignment	<u>634,712</u>	<u>17,493</u>
	<u>18,197,276</u>	<u>18,010,523</u>
Provision for devaluation of inventories	<u>(109,748)</u>	<u>(100,563)</u>
	<u>18,087,528</u>	<u>17,909,960</u>

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 2010

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

8. TANGIBLE FIXED ASSETS

	Plants and buildings USD	Machinery and equipment USD	Motor vehicles USD	Office equipment USD	Others USD	Total USD
COST						
As at 1/1/2010	13,685,392	17,069,893	2,138,949	2,507,072	515,530,127	550,931,433
Additions	368,426	3,699,831	373,567	479,071	615,788	5,536,683
From construction in progress	1,422,170	5,880,551	48,181	28,852	68,414	7,448,168
Reclassified	-	516,195,513	(53,412)	63,319	(516,205,420)	-
Disposals	-	(430,158)	-	(12,725)	-	(442,883)
Foreign exchange differences	(146,961)	(754,096)	(38,173)	(36,783)	(188)	(976,201)
As at 31/12/2010	<u>15,329,027</u>	<u>541,661,534</u>	<u>2,469,112</u>	<u>3,028,806</u>	<u>8,721</u>	<u>562,497,200</u>
ACCUMULATED DEPRECIATION						
As at 1/1/2010	965,149	6,957,784	783,986	785,748	26,748,217	36,240,884
Charge for the year	871,880	2,400,219	328,291	615,066	28,204,074	32,419,530
Reclassified	4,502	54,927,434	(61,257)	79,552	(54,950,231)	-
Eliminated from disposals	-	(269,608)	-	(9,879)	-	(279,487)
Foreign exchange differences	(22,418)	(327,466)	(23,028)	(20,089)	(77)	(393,078)
As at 31/12/2010	<u>1,819,113</u>	<u>63,688,363</u>	<u>1,027,992</u>	<u>1,450,398</u>	<u>1,983</u>	<u>67,987,849</u>
NET BOOK VALUE						
As at 31/12/2010	<u>13,509,914</u>	<u>477,973,171</u>	<u>1,441,120</u>	<u>1,578,408</u>	<u>6,738</u>	<u>494,509,351</u>
As at 31/12/2009	<u>12,720,243</u>	<u>10,112,109</u>	<u>1,354,963</u>	<u>1,721,324</u>	<u>488,781,910</u>	<u>514,690,549</u>

Foreign exchange difference incurred from consolidation of subsidiaries' and Algeria Branch's financial statements with respective history cost of VND and Dinar Algeria into USD.

As discussed in note 19, certain of the Group assets with carry amount of USD 388,936,501 as at 31 December 2010 (2009: USD 409,865,422) are used as collaterals for the Group's loans.

9. INTANGIBLE ASSETS

	Land use rights USD	Software USD	Others USD	Total USD
COST				
As at 1/1/2010	6,121,918	995,674	1,600,658	8,718,250
Additions	-	61,527	2,154	63,681
Decreases	-	(555)	(36)	(591)
As at 31/12/2010	<u>6,121,918</u>	<u>1,056,646</u>	<u>1,602,776</u>	<u>8,781,340</u>
ACCUMULATED AMORTIZATION				
As at 1/1/2010	-	283,329	309,889	593,218
Charge for the year	50,616	213,654	80,589	344,859
Decreases	-	(555)	(9)	(564)
As at 31/12/2010	<u>50,616</u>	<u>496,428</u>	<u>390,469</u>	<u>937,513</u>
NET BOOK VALUE				
As at 31/12/2010	<u>6,071,302</u>	<u>560,218</u>	<u>1,212,307</u>	<u>7,843,827</u>
As at 31/12/2009	<u>6,121,918</u>	<u>712,345</u>	<u>1,290,769</u>	<u>8,125,032</u>

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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 2010

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

10. CONSTRUCTION IN PROGRESS

	2010 <u>USD</u>	2009 <u>USD</u>
As at 1 January	2,242,632	229,261,904
Increase from construction	82,802,169	176,753,916
Borrowing cost capitalized during the year	208,605	7,547,852
Transfer to tangible fixed assets	(7,448,168)	(411,321,040)
Foreign exchange differences from translation	(68,386)	-
As at 31 December	<u>77,736,852</u>	<u>2,242,632</u>

Details of construction progress as follows:

	31/12/2010 <u>USD</u>	31/12/2009 <u>USD</u>
TAD project	76,404,638	-
Other construction in progress	1,332,214	2,242,632
	<u>77,736,852</u>	<u>2,242,632</u>

During the year, the Group has capitalized a portion of borrowing costs amounting to USD 208,605 (2009: USD 7,547,852) which incurred from loans financed for the Group's fixed assets.

The Tender Assist Drilling Rig project (TAD) is invested under business cooperation contract (BCC) with the estimated value of USD 230,500,000. The Group is authorized to manage and control the project. At 31 December 2010, the actual expenditures incurred for this project was USD 123,233,287. The Group committed to contribute 62% of total capital required for the project.

11. INVESTMENTS IN JOINT VENTURES

Summarized financial information of the Group's joint ventures is as follows:

Name of joint ventures	Registered charter capital <u>USD</u>	Contributed charter capital		Percent of interest %
		31/12/2010 <u>USD</u>	31/12/2009 <u>USD</u>	
BJ-PVD	1,000,000	439,255	439,255	49
PVD-PTI	4,000,000	1,908,398	1,908,398	51
PVD Tubulars	3,500,000	1,702,734	1,702,734	51

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

	31/12/2010 <u>USD</u>	31/12/2009 <u>USD</u>
BJ-PVD	1,418,064	1,253,079
PVD-PTI	2,751,378	2,037,067
PVD Tubulars	2,091,481	1,850,524
	<u>6,260,923</u>	<u>5,140,670</u>

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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 2010

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

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

	As at 31/12/2009 <u>USD</u>	Profit distributed <u>USD</u>	Profit received <u>USD</u>	Foreign exchange difference from translation <u>USD</u>	As at 31/12/2010 <u>USD</u>
BJ-PVD	1,253,079	1,630,111	(1,465,126)	-	1,418,064
PVD-PTI	2,037,067	857,059	(128,669)	(14,079)	2,751,378
PVD Tubulars	1,850,524	252,847	-	(11,890)	2,091,481
	<u>5,140,670</u>	<u>2,740,017</u>	<u>(1,593,795)</u>	<u>(25,969)</u>	<u>6,260,923</u>

The foreign exchange differences incurred from translation of PVD Logging and PVD Tech's financial statements, subsidiaries directly controlling the portion of investment in joint venture PVD-PTI and PVD Tubulars.

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31/12/2010 <u>USD</u>	31/12/2009 <u>USD</u>
Petro Land	1,114,765	1,114,765
Term deposits	528,206	1,114,765
	<u>1,642,971</u>	<u>2,229,530</u>

Term deposits at 31 December 2010 represent five-years term deposits at Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) which earn annual floating interest rate to secure for PVD Tech's long-term loan of VND 10 billion.

13. LONG-TERM PREPAYMENTS

	31/12/2010 <u>USD</u>	31/12/2009 <u>USD</u>
Foreign exchange losses during construction progress	5,814,831	7,203,200
Long-term prepayments for PV Drilling II and III	3,023,267	4,520,230
Long-term prepayments for Drill Pipe	4,596,011	545,352
Expense of repairing PV Drilling I	540,450	-
Other long-term prepayemnts	316,925	494,886
	<u>14,291,484</u>	<u>12,763,668</u>

14. 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 <u>USD</u>	Unrealized foreign exchange <u>USD</u>	Total <u>USD</u>
As at 1/1/2009	275,080	357,133	632,213
Credit to profit for the year	53,292	(395,842)	(342,550)
Foreign exchange differences from translation	(16,016)	1,888	(14,128)
As at 31/12/2009	312,356	(36,821)	275,535
Credit to profit for the year	51,165	168,964	220,129
Foreign exchange differences from translation	(13,746)	(518)	(14,264)
As at 31/12/2010	349,775	131,625	481,400

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 2010

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

15. SUBSIDIARIES AND GOODWILL

Details of the Group's subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiaries	Charter capital VND	Contributed charter capital		Percent of interest		
		31/12/2010 VND	USD	31/12/2009 VND	USD	%
PVD Offshore	80,000,000,000	80,000,000,000	4,393,822	57,640,139,096	3,212,761	100
PVD Well Services	50,000,000,000	50,000,000,000	2,643,378	804,342,798	44,833	100
PVD Logging	50,000,000,000	50,000,000,000	2,786,913	50,000,000,000	2,786,913	100
PVD Tech	100,000,000,000	100,000,000,000	5,573,825	100,000,000,000	5,573,825	100
PVD Training	26,354,650,000	15,183,682,400	841,227	13,440,940,000	749,175	51
PVD Deep Water	100,000,000,000	-	-	-	-	100

During the year 2010, PVD Deep Water has not commenced its operation, hence, no transactions has been incurred.

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 (equivalent to USD 388,501). As a result, the Group recognized a goodwill of VND 4,572,071,000 (equivalent to USD 238,874).

The movement in goodwill during the year is as follows:

	Goodwill USD
COST	
As at 1/1/2010 and 31/12/2010	<u>238,874</u>
ACCUMULATED AMORTIZATION	
As at 1/1/2010	71,662
Charge for the year	23,888
As at 31/12/2010	<u>95,550</u>
NET BOOK VALUE	
As at 31/12/2010	<u><u>143,324</u></u>
As at 31/12/2009	<u><u>167,212</u></u>

16. SHORT-TERM BORROWINGS AND LIABILITIES

	31/12/2010 USD	31/12/2009 USD
Short-term loans	16,142,677	272,365
Current portion of long-term loans (note 19)	<u>59,224,069</u>	<u>44,687,952</u>
	<u><u>75,366,746</u></u>	<u><u>44,960,317</u></u>

Details of short-term loans are follows:

	31/12/2010 USD	31/12/2009 USD
PetroVietnam Joint Stock Finance Corporation (PVFC)	-	272,365
JP Morgan	13,343,185	-
Vietcombank	2,799,492	-
	<u><u>16,142,677</u></u>	<u><u>272,365</u></u>

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 2010**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*

Short-term loan from JP Morgan bank represents loan under a letter of credit by USD guaranteed by Vietcombank and Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) to pay for construction expense of TAD project.

Short-term loan from Vietcombank represent unsecured loan in Vietnam Dong to increase working capital of Drilling Division.

17. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Value added tax	3,699,851	2,255,917
Import tax	2,861	10,957
Corporate income tax	3,589,621	4,722,483
Personal income tax	1,258,926	603,305
Foreign contractor withholding tax	1,683,053	1,135,721
Others	11,969	-
	<u>10,246,281</u>	<u>8,728,383</u>

18. PROVISION FOR SHORT-TERM PAYABLES

At 31 December 2009, provision for short-term payables represented provision for salary fund of year 2010 which was accounted for in the income statement of 2009. This provision was calculated with the rate of 10% of actual salary expense in 2009 of Vietnamese employees according to the Group's management's decision.

During 2010, the Group decided to write off this short-term provision based on the result of State Audit at the Audited Minute dated 20 September 2010. Consequently, profit before tax and corporate income tax expense for the year ended 31 December 2010 increase with the respective amount of USD 1,269,557 and USD 102,987.

19. LONG-TERM LOANS AND LIABILITIES

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Long-term loans	338,744,886	353,591,807
Current portion of long-term loans (note 16)	<u>(59,224,069)</u>	<u>(44,687,952)</u>
	<u>279,520,817</u>	<u>308,903,855</u>

Details of long-term loans are as follows:

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Vietcombank	41,453,921	51,240,510
PVFC	7,322,502	10,028,981
Bank for Investment and Development of Vietnam (BIDV)	174,388,277	186,572,316
HSBC Bank (Vietnam) Limited ("HSBC")	97,750,000	105,750,000
Military Commercial Joint Stock Bank (MB) and Vietinbank	17,830,186	-
	<u>338,744,886</u>	<u>353,591,807</u>

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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 2010

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

	For purpose of financing to construction	Interest rate %	Form of security	Credit limit USD	Balance as at 31/12/2010 USD
Vietcombank	PVDrilling I	SIBOR 6 months + margin	Guaranteed by PVN	80,237,605	40,992,408
PVFC	PVDrilling 11	SIBOR 6 months + margin	PV Drilling 11	18,599,000	6,974,625
BIDV - Syndicated loan Contract	PVDrilling II	12 months saving deposit + margin	PV Drilling II	155,000,000	145,188,277
BIDV	PVDrilling III	12 months saving deposit + margin	No guarantee	35,000,000	29,200,000
HSBC - Syndicated loan Contract	PVDrilling III	LIBOR 3 months + margin	PVN and PV Drilling III	115,000,000	97,750,000
MB & Vietinbank	TAD	SIBOR 6 months + margin	Guaranteed by TAD and revenue from capital contribution in BCC	80,000,000	17,830,186
PVFC	Project of factory extension Phase II in Dong Xuyen Industrial zone	12 months saving deposit + margin Interest rate agreed by each withdrawn	Guaranteed by 5-years deposit	1,056,412	347,877
Vietcombank				528,206	461,513
				<u>485,421,223</u>	<u>338,744,886</u>

Long-term loans are repayable as follows:

	31/12/2010 USD	31/12/2009 USD
On demand or within one year	59,224,069	44,687,952
In the second year	64,224,069	59,037,952
In the third to fifth years inclusive	156,108,471	169,693,587
After five years	59,188,277	80,172,316
	<u>338,744,886</u>	<u>353,591,807</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(59,224,069)</u>	<u>(44,687,952)</u>
Amount due for settlement after twelve months	<u>279,520,817</u>	<u>308,903,855</u>

20. SCIENTIFIC AND TECHNOLOGICAL FUND

On 7 March 2011, the Group's Board of Management approved the Resolution to create the Scientific and Technological Fund for year 2010 with the amount which is not exceeded 10% of taxable profit for the year. Accordingly, the Group has made appropriation for this fund of USD 3,872,215.

21. SHAREHOLDERS' EQUITY

	31/12/2010	31/12/2009
Authorized	210,508,215	210,508,215
Shares issued and fully contributed	210,508,215	210,508,215
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 Group's residual assets. Petro Vietnam is the founding shareholder and also the main shareholder of the Group at 31 December 2010 and 2009 with 50.38% of charter capital.

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 2010

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

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

	Charter capital	Share premium	Treasury shares	Foreign exchange differences	Investment and development fund	Financial reserve fund	Retained earnings	Total
	USD	USD	USD	USD	USD	USD	USD	USD
As at 1/1/2009	77,444,922	11,786,804	-	350,079	8,764,567	4,682,491	18,335,064	121,363,927
Merge with PVD Invest	15,068,724	69,210,346	-	(320,152)	(105,386)	(57,750)	(878,584)	82,917,198
Foreign exchange differences	-	-	-	46,299	-	-	-	46,299
Profit for the year	-	-	-	-	-	-	47,733,034	47,733,034
Share dividends	30,835,829	-	-	-	-	-	(30,835,829)	-
Funds distributions	-	-	-	-	4,675,732	1,928,003	(11,072,056)	(4,468,321)
Translation exchange differences	(6,015,873)	(3,950,309)	-	(3,719)	(650,357)	(319,584)	(1,135,467)	(12,075,309)
As at 31/12/2009	117,333,602	77,046,841	-	72,507	12,684,556	6,233,160	22,146,162	235,516,828
Paid to shareholders	-	(9,013)	-	-	-	-	-	(9,013)
Treasury shares	-	-	(1,965,071)	-	-	-	-	(1,965,071)
Foreign exchange differences	-	-	-	354,996	-	-	-	354,996
Profit for the year	-	-	-	-	-	-	47,363,119	47,363,119
Other increases	-	-	-	-	-	-	168,551	168,551
Funds distributions	-	-	-	-	4,690,354	2,333,760	(12,212,516)	(5,188,402)
Translation exchange differences	-	-	-	-	-	-	(152,021)	(152,021)
As at 31/12/2010	117,333,602	77,037,828	(1,965,071)	427,503	17,374,910	8,566,920	57,313,295	276,088,987

As at 31 December 2010, the Group temporarily appropriated a portion of the year profit after tax to Financial Reserve Fund, Investment and Development Fund, Bonus and Welfare Fund and Bonus Fund for Management with the rates of 5%, 10%, 10% and 1%, respectively, in accordance with the Group's Charter. The final amounts of such appropriations will be determined and approved by the shareholders at the Shareholders' Annual General Meeting.

Details movement of foreign exchange differences:

	Exchange rate difference in translating foreign operation (Algeria Branch)	Exchange rate difference from translation of subsidiaries' financial statement	Exchange rate difference during construction stage (PVD Invest)	Exchange rate difference from revaluation of monetary balances	Total
	USD	USD	USD	USD	USD
As at 1/1/2009	1,656,402	-	(1,306,323)	-	350,079
Additions	(813,391)	-	(5,630,859)	(766,786)	(7,211,036)
Transfer to long-term prepayment	-	-	7,700,867	-	7,700,867
Transfer to unearned revenue	-	-	(443,532)	-	(443,532)
Adjust from consolidation	-	-	(320,153)	-	(320,153)
Differences from currency conversion	(41,114)	-	-	37,396	(3,718)
As at 31/12/2009	801,897	-	-	(729,390)	72,507
Additions	231,697	(755,659)	-	878,958	354,996
As at 31/12/2010	1,033,594	(755,659)	-	149,568	427,503

22. MINORITY INTEREST

Minority interest presents the minority shareholders portion in net assets value and the results of operations of PVD Training. Rate of the minority interest in PVD Training was calculated as follows:

	VND	USD Equivalent
Charter capital of subsidiaries	26,354,650,000	1,468,962
Including:		
Distributed capital of the Group	13,440,940,000	749,174
Distributed capital of the minority shareholders	12,913,710,000	719,788
Share of the non-controlling interest	49%	49%

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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 2010

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

Minority interest in net asset as at 31 December 2010 and 2009 as follows:

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Total assets	2,283,153	2,284,932
Total liabilities	<u>(553,978)</u>	<u>(715,272)</u>
Net assets	<u>1,729,175</u>	<u>1,569,660</u>
<i>Details as follows:</i>		
Charter capital	1,468,962	1,468,962
Other resources	(26,538)	15,996
Retained earnings	<u>286,751</u>	<u>84,702</u>
Non-controlling interest	847,291	761,295
<i>Details as follow:</i>		
Charter capital	719,788	719,788
Other resources	(13,004)	-
Retained earnings	<u>140,507</u>	<u>41,507</u>

Minority interest in operating result for the year ended 31 December 2010 and 31 December 2009:

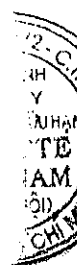
	2010	2009
	<u>USD</u>	<u>USD</u>
Profit for the year	393,849	364,647
Minority interest of operating result	<u>192,985</u>	<u>178,677</u>

23. NET SALES

	2010	2009
	<u>USD</u>	<u>USD</u>
Sale of goods	56,224,431	42,132,405
Sale of drilling services	207,005,476	82,029,859
Sale of well services and others	<u>143,408,228</u>	<u>115,892,843</u>
	<u>406,638,135</u>	<u>240,055,107</u>

24. COST OF GOODS SOLD

	2010	2009
	<u>USD</u>	<u>USD</u>
Cost of goods sold	52,063,636	39,077,145
Cost of drilling services	148,337,798	35,539,543
Cost of well services and others	<u>111,828,382</u>	<u>92,779,853</u>
	<u>312,229,816</u>	<u>167,396,541</u>



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 2010

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

25. FINANCIAL INCOME

	2010 <u>USD</u>	2009 <u>USD</u>
Interest income	2,176,459	4,583,317
Unrealized foreign exchange gain	4,765	163,459
Realized foreign exchange gain	6,936,625	7,163,591
Other financial income	313,259	598
	<u><u>9,431,108</u></u>	<u><u>11,910,965</u></u>

26. FINANCIAL EXPENSES

	2010 <u>USD</u>	2009 <u>USD</u>
Interest expense	16,792,899	4,202,883
Unrealized foreign exchange loss	4,106	8,196,374
Realized foreign exchange loss	8,958,565	6,256,242
Other financial expenses	63,664	226,431
	<u><u>25,819,234</u></u>	<u><u>18,881,930</u></u>

27. CURRENT TAX EXPENSE

	2010 <u>USD</u>	2009 <u>USD</u>
Profit before tax	54,703,226	54,256,117
Less: non-assessable income	(3,356,103)	(3,164,159)
Add back/(Less): unrealized foreign exchange in revaluation of current liabilities	236,890	(643,452)
Add back: non-deductible expenses	3,537,907	600,400
Assessable income	<u>55,121,920</u>	<u>51,048,906</u>
Current tax expense	7,165,556	7,987,075
Tax deduction	-	(2,000,507)
Additional tax expense of previous year	201,695	15,288
Current tax expense	<u><u>7,367,251</u></u>	<u><u>6,001,856</u></u>

Additional tax expense of previous year represents the tax adjustment according to State Audit Minute dated 20 September 2010 and other adjustment of the Group. The tax deduction of year 2009 represents tax amount which the Group is entitled a deduction of 30% tax payables for the fourth quarter of year 2008 and for year 2009 according to Circular 03/2009/TT-BTC issued on 13 January 2009.

The Group has the obligation to pay Corporate Income Tax ("CIT") at the normal rates at 25% except the incentives as follows:

- The Company is entitled to CIT exemption for two years (2007 and 2008) and a reduction of 50% for five years from 2009 to 2013 for taxable income from principle activities. The Company is also entitled to CIT exemption for two years 2010 and 2011 and a reduction of 50% for two years 2012 and 2013 for taxable income operation of PV Drilling Rig II and PV Drilling Rig III, which transferred from PetroVietnam Drilling Investment Corporation previously.
- PVD Offshore is entitled to CIT exemption for two years from 2007 and a reduction of 50% in the following three years from 2009 to 2011.

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 2010**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*

- PVD Training is obliged to pay CIT at the rates ranging from 0% to 25% of its taxable income depending on activities. It is entitled to CIT 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 safety training activities.
- PVD Tech is obliged to pay CIT at the rates ranging from 15% to 25% of its taxable income depending on activities. For manufacturing and trading activities in Dong Xuyen Industrial Zone, Vung Tau, PVD Tech is entitled to CIT exemption as follows:
 - For manufacturing activities: CIT is 15% of taxable income in 12 years from the project commencement and 25% in the following years. PVD Tech is entitled to CIT exemption for three years from the first profit-making year and a reduction of 50% of tax payable for the following seven years. 2009 was the first profit-making year.
 - For trading activities: The annual tax rate of CIT is 20% of taxable income in ten years from the project commencement and 25% in following years. PVD Tech is entitled to CIT exemption for two years from the first profit-making year and a reduction of 50% of tax payable for the following six years. 2009 was the first profit-making year.

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 financial statements could be changed at a later date upon final determination by the tax authorities.

28. EARNINGS PER SHARE

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

	2010 <u>USD</u>	2009 <u>USD</u>
Profits during the year	47,363,119	47,733,034
Less: Deffered tax income	<u>(220,129)</u>	<u>(121,565)</u>
Earnings for the purposes of basic earnings per share	47,142,990	47,611,469
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>207,284,292</u>	<u>138,537,894</u>
Earnings per share	<u>0.23</u>	<u>0.34</u>

29. 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. 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. However, the Group's management believe that no significant tax liabilities relating to tax finalization for Algeria branch which have to make provision will be incurred.

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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 2010**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***30. LEASE COMMITMENTS**

	2010	2009
	<u>USD</u>	<u>USD</u>
Minimum lease payments under operating leases recognised in the income statement for the year	<u>1,013,714</u>	<u>1,353,322</u>

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

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Within one year	1,353,322	1,173,640
In the second to fifth years inclusive	3,635,899	3,694,542
After five years	<u>19,146,727</u>	<u>10,359,612</u>
	<u>24,135,948</u>	<u>15,227,794</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.

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2010	2009
	<u>USD</u>	<u>USD</u>
Service provided		
PetroVietnam Group's subsidiaries	16,173,959	15,465,321
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>211,765,595</u>	<u>65,628,460</u>
Purchases		
PetroVietnam Group's subsidiaries	<u>15,534,542</u>	<u>8,783,976</u>
Loan from PVFC		
Interest paid	<u>214,830</u>	<u>417,306</u>

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

	2010	2009
	<u>USD</u>	<u>USD</u>
Salaries	360,419	282,539
Bonus	225,535	282,496
Benefits in kind	11,666	16,876
	<u>597,620</u>	<u>581,911</u>

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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 2010**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*

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

	31/12/2010	31/12/2009
	<u>USD</u>	<u>USD</u>
Receivables		
PetroVietnam Group's subsidiaries	2,797,270	45,964
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>44,580,343</u>	<u>31,312,929</u>
Payables		
PetroVietnam Group's subsidiaries	<u>3,539,611</u>	<u>1,070,497</u>
Loan payables		
PVFC	<u>7,322,502</u>	<u>10,301,346</u>
Interest payables		
PVFC	<u>21,473</u>	<u>31,126</u>
Other payables		
PVFC	5,281,481	-
Petro Vietnam	<u>1,957,342</u>	<u>691,611</u>

32. OTHER COMMITMENTS

According to the minute dated 17 December 2010 regarding to PVD Tech's capital contribution in Vietubes, PVD Tech committed to become an investor of Vietubes by contributing additional capital into this company. The committed interest held by PVD Tech is 21%. At the balance sheet date, Vietubes has not completed its valuation process as a basis to determine the PVD Tech's interest.

On 26 January 2011, the People Committee of Ho Chi Minh City issued the Investment Certificate No. 411022000556 for PV Drilling -- Baler Hughes Well Technical Services Joint Venture Company Limited. The total charter capital of joint venture is USD 20 million, in which the Group holds 51%, equalled to USD 10,200,000. At the report date, no transactions as well as significant events relevant to new joint venture has been incurred.

33. COMPARATIVE FIGURES

On 31 December 2009, the Ministry of Finance issued Circular No. 244/2009/TT-BTC regarding to complement adjustment and guiding to apply new accounting policies. Accordingly, the Group restated figures on some items in the financial statement disclosed in previous year for comparative purpose. As a result, the Bonus and Welfare Fund with the balance of VND 6,262,760,343 equivalent to USD 349,075 at 31 December 2009 was reclassified and restated in current liabilities of comparative figures of current financial statement.

The Company agreed to change the currency unit from VND to USD from 1 January 2010 according to Letter No. 8036/BTC-CĐKT dated 21 June 2010, hence, currency unit in the consolidated financial statement for the year ended 31 December 2009 is also translated from VND to USD for comparative purpose. The principal of currency exchange is applied as follows:

- The items on the consolidated balance sheet are translated at average inter-bank rate at 31 December 2009 is 17,941 VND/USD.
- The items on the consolidated income statement and the consolidated cash flow statement are translated at average inter-bank rate in 2009 is 17,066 VND/USD.



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 2010

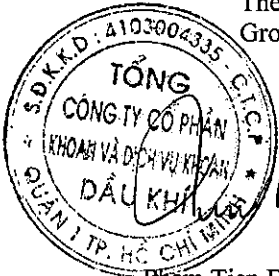
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN


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

- All foreign exchange differences arising from translation are recorded in the balance sheet in the "foreign exchange reserve" item under the Owner's equity section.

34. APPROVAL FOR ISSUANCE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statement for the year ended 31 December 2010 is approved by the Group's Board of Management for issuance on 9 April 2011.




Phạm Tiến Dũng
Chief Executive Officer and President
9 April 2011



Đoàn Đức Tùng
Chief Accountant

