

**PETROVIETNAM DRILLING AND WELL SERVICES  
CORPORATION**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS**

**For the year ended 31 December 2015**

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## STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Petrovietnam Drilling and Well Services Corporation (the "Company") presents this report together with the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

### 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 to the date of this consolidated report are as follows:

#### Board of Management

Mr. Do Van Khanh	Chairman (appointed on 1 December 2015)
Mr. Do Duc Chien	Vice Chairman (appointed on 1 December 2015)
Mr. Pham Tien Dung	Member
Mr. Duong Xuan Quang	Member
Mr. Le Van Be	Member
Mr. Tran Van Hoat	Member
Ms. Pham Thi An Binh	Member
Ms. Kieu Thi Hoai Minh	Member (resigned on 1 December 2015)

#### Board of Directors

Mr. Pham Tien Dung	President
Mr. Tran Van Hoat	Vice President
Ms. Ho Ngoc Yen Phuong	Vice President
Mr. Dao Ngoc Anh	Vice President
Mr. Nguyen Xuan Cuong	Vice President
Mr. Trinh Van Vinh	Vice President
Mr. Vu Van Minh	Vice President
Mr. Ho Vu Hai	Vice President (appointed on 1 March 2015)

### BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Group is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Group and its consolidated results and consolidated cash flows for the year in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. 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 consolidated financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. 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 frauds and other irregularities.

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

For and on behalf of the Board of Directors,



Pham Tien Dung  
President  
25 March 2016



A JOURNEY TO EXCELLENCE

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## INDEPENDENT AUDITORS' REPORT

**To: The Shareholders, the Boards of Management and Directors of Petrovietnam Drilling and Well Services Corporation**

We have audited the accompanying consolidated financial statements of Petrovietnam Drilling and Well Services Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") prepared on 25 March 2016 as set out from page 3 to page 43 which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' Responsibility for the Consolidated Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Auditors' Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



**Nguyễn Quang Trung**  
Audit Partner  
Audit Practising Registration Certificate  
No. 0733-2013-001-1

*For and on behalf of*  
**Deloitte Vietnam Company Limited**  
25 March 2016  
Ho Chi Minh City, S.R. Vietnam

**Bui Van Trinh**  
Auditor  
Audit Practising Registration Certificate  
No. 1808-2013-001-1

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**4<sup>th</sup> Floor, Sailing Tower, 111A Pasteur Street, District 1  
Ho Chi Minh City, S.R. Vietnam**Consolidated financial statements**  
For the year ended 31 December 2015**CONSOLIDATED BALANCE SHEET***As at 31 December 2015***FORM B 01-DN/HN**

Unit: USD

ASSETS	Codes	Notes	31/12/2015	31/12/2014
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>365,740,635</b>	<b>444,899,244</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>155,744,738</b>	<b>151,002,271</b>
1. Cash	111		90,976,865	46,347,773
2. Cash equivalents	112		64,767,873	104,654,498
<b>II. Short-term financial investments</b>	<b>120</b>		<b>39,637,617</b>	<b>561,862</b>
1. Held-to-maturity investments	123	6	39,637,617	561,862
<b>III. Short-term receivables</b>	<b>130</b>		<b>122,751,048</b>	<b>232,249,718</b>
1. Short-term trade receivables	131	7	117,210,483	221,281,903
2. Short-term advances to suppliers	132		3,126,057	5,476,247
3. Other short-term receivables	136	8	2,991,175	5,771,230
4. Provision for short-term doubtful debts	137		(577,797)	(291,455)
5. Deficits in assets awaiting solution	139		1,130	11,793
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>44,717,276</b>	<b>57,695,816</b>
1. Inventories	141		50,592,837	60,359,735
2. Provision for devaluation of inventories	149		(5,875,561)	(2,663,919)
<b>V. Other short-term assets</b>	<b>150</b>		<b>2,889,956</b>	<b>3,389,577</b>
1. Short-term prepayments	151		1,156,807	1,600,512
2. Value added tax deductibles	152		1,627,964	1,789,065
3. Taxes and other receivables from the State budget	153		105,185	-
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>744,069,049</b>	<b>652,001,842</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>815,363</b>	<b>846,540</b>
1. Other long-term receivables	216		815,363	846,540
<b>II. Fixed assets</b>	<b>220</b>		<b>709,662,135</b>	<b>550,779,241</b>
1. Tangible fixed assets	221	10	700,913,175	541,352,304
- Cost	222		1,002,680,494	787,633,804
- Accumulated depreciation	223		(301,767,319)	(246,281,500)
2. Intangible assets	227	11	8,748,960	9,426,937
- Cost	228		13,360,121	13,094,798
- Accumulated amortization	229		(4,611,161)	(3,667,861)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>2,356,311</b>	<b>69,490,567</b>
1. Construction in progress	242	12	2,356,311	69,490,567
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>27,506,195</b>	<b>29,814,189</b>
1. Investments in joint ventures	252	13	27,506,195	29,814,189
<b>V. Other long-term assets</b>	<b>260</b>		<b>3,729,045</b>	<b>1,071,305</b>
1. Long-term prepayments	261		2,267,860	649,526
2. Deferred tax assets	262	14	1,437,297	374,004
3. Goodwill	269		23,888	47,775
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>1,109,809,684</b>	<b>1,096,901,086</b>

*The notes set out on pages 7 to 43 are an integral part of these consolidated financial statements*

**CONSOLIDATED BALANCE SHEET (Continued)**  
 As at 31 December 2015

**FORM B 01-DN/HN**  
 Unit: USD

RESOURCES	Codes	Notes	31/12/2015	31/12/2014
<b>C. LIABILITIES</b>	<b>300</b>		<b>517,217,519</b>	<b>545,592,750</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>200,932,604</b>	<b>325,932,460</b>
1. Short-term trade payables	311	15	64,286,095	135,167,958
2. Short-term advances from customers	312		791,478	1,206,979
3. Taxes and amounts payable to the State budget	313	16	7,498,737	22,303,881
4. Payables to employees	314		11,867,309	11,444,497
5. Short-term accrued expenses	315	17	24,199,194	65,059,629
6. Other current payables	319	18	10,583,522	11,967,867
7. Short-term loans	320	19	50,459,330	54,440,073
8. Short-term provisions	321	20	21,260,474	15,256,852
9. Bonus and welfare funds	322		9,986,465	9,084,724
<b>II. Long-term liabilities</b>	<b>330</b>		<b>316,284,915</b>	<b>219,660,290</b>
1. Other long-term payables	337	25	21,321,488	22,600,015
2. Long-term loans	338	21	234,219,853	145,712,284
3. Long-term provisions	342	22	10,781,661	10,358,580
4. Scientific and technological development fund	343	23	49,961,913	40,989,411
<b>D. EQUITY</b>	<b>400</b>		<b>592,592,165</b>	<b>551,308,336</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>24</b>	<b>592,592,165</b>	<b>551,308,336</b>
1. Owners' contributed capital	411		181,630,323	161,095,191
- Ordinary shares carrying voting rights	411a		181,630,323	161,095,191
2. Share premium	412		126,770,844	126,770,844
3. Treasury shares	415		(966,501)	(17,257)
4. Foreign exchange reserve	417		(14,118,496)	(8,529,349)
5. Investment and development fund	418		75,995,208	68,328,280
6. Retained earnings	421		209,072,374	192,622,178
- Retained earnings accumulated to the prior year end	421a		151,507,444	107,144,870
- Retained earnings of the current year	421b		57,564,930	85,477,308
7. Non-controlling interest	429		14,208,413	11,038,449
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>1,109,809,684</b>	<b>1,096,901,086</b>

Pham Tien Dung  
 President  
 25 March 2016

Ho Ngoc Yen Phuong  
 Vice President

Doan Dac Tung  
 Chief Accountant

Tran Kim Hoang  
 Preparer

**CONSOLIDATED INCOME STATEMENT**  
 For the year ended 31 December 2015

**FORM B 02-DN/HN**  
 Unit: USD

ITEMS	Codes	Notes	2015	2014
1. Gross revenue from goods sold and services rendered	01		659,345,417	987,485,400
2. Net revenue from goods sold and services rendered (10=01)	10	28	659,345,417	987,485,400
3. Cost of goods sold and services rendered	11	29	513,675,723	792,612,403
4. Gross profit from goods sold and services rendered (20=10-11)	20		145,669,694	194,872,997
5. Financial income	21	31	9,643,693	7,626,197
6. Financial expenses	22	32	24,070,973	13,790,559
- In which: Interest expense	23		8,538,064	6,840,823
7. Income from investments in joint ventures	24	13	11,988,229	14,147,558
8. Selling expenses	25		2,140,304	2,799,251
9. General and administration expenses	26	33	45,548,242	53,091,038
10. Operating profit (30=20+(21-22)+24-(25+26))	30		95,542,097	146,965,904
11. Other income	31		2,385,592	5,880,852
12. Other expenses	32		1,443,116	2,586,908
13. Profit from other activities (40=31-32)	40		942,476	3,293,944
14. Accounting profit before tax (50=30+40)	50		96,484,573	150,259,848
15. Corporate income tax expense	51	34	17,777,409	30,539,173
16. Deferred tax income	52	14	(1,064,947)	(378,737)
17. Net profit after corporate income tax (60=50-51-52)	60		79,772,111	120,099,412
Attributable to:				
- The Company's shareholders	61		75,967,679	114,398,267
- Non-controlling interests	62	25	3,804,432	5,701,145
18. Basic earnings per share	70	35	<u>0.187</u>	<u>0.284</u>



25 March 2016

*Ho Ngọc Yến Dung*  
 Ho Ngọc Yen Phuong  
 Vice President

*Doan Dac Tung*  
 Doan Dac Tung  
 Chief Accountant

*Tran Kim Hoang*  
 Tran Kim Hoang  
 Preparer

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

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

**Consolidated financial statements**  
For the year ended 31 December 2015

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2015

**FORM B 03-DN/HN**

Unit: USD

ITEMS	Codes	2015	2014
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	96,484,573	150,259,848
2. Adjustments for:			
Depreciation and amortisation	02	63,628,991	50,395,798
Provisions	03	9,924,687	6,554,021
Foreign exchange loss arising from translating foreign currency items	04	1,140,143	1,281,057
Gain from investing activities	05	(16,970,745)	(18,308,045)
Interest expense	06	8,538,064	6,840,823
Other adjustments	07	10,316,118	7,861,928
3. Operating profit before movements in working capital	08	173,061,831	204,885,430
Decrease/(Increase) in receivables	09	109,209,875	(34,427,144)
Decrease/(Increase) in inventories	10	9,766,898	(10,672,469)
(Decrease)/Increase in payables	11	(121,478,209)	36,737,649
(Increase)/Decrease in prepaid expenses	12	(1,174,629)	4,081,394
Interest paid	14	(8,676,855)	(7,270,553)
Corporate income tax paid	15	(23,407,845)	(26,534,189)
Other cash outflows	17	(11,066,746)	(13,265,292)
Net cash generated by operating activities	20	126,234,320	153,534,826
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets	21	(166,528,794)	(13,474,450)
2. Proceeds from sale, disposal of fixed assets	22	253,344	154,315
3. Cash outflow for buying debt instruments of other entities	23	(50,896,678)	(23,275,728)
4. Cash recovered from lending, selling debt instruments of other entities	24	11,820,922	24,126,830
5. Equity investments in other entities	25	-	(18,275,976)
6. Cash recovered from investments in other entities	26	-	299,847
7. Interest income, dividends and profits received	27	17,806,003	16,023,964
Net cash used in investing activities	30	(187,545,203)	(14,421,198)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from owners' contributed capital	31	2,885,850	1,020,000
2. Buy-back of issued shares	32	(949,244)	(17,257)
3. Proceeds from borrowings	33	144,705,712	8,106,569
4. Repayment of borrowings	34	(59,316,777)	(94,743,675)
5. Dividends and profits paid	36	(20,707,065)	(26,104,945)
Net cash generated by/(used in) financing activities	40	66,618,476	(111,739,308)
Net increase in cash (50=20+30+40)	50	5,307,593	27,374,320
Cash and cash equivalents at the beginning of the year	60	151,002,271	123,484,358
Effects of changes in foreign exchange rates	61	(565,126)	143,593
Cash and cash equivalents at the end of the year (70=50+60+61)	70	155,744,738	151,002,271



*[Signature]*  
Nam Tien Dung  
President  
25 March 2016

*[Signature]*  
Ho Ngoc Yen Phuong  
Vice President

*[Signature]*  
Doan Dac Tung  
Chief Accountant

*[Signature]*  
Tran Kim Hoang  
Preparer

The notes set out on pages 7 to 43 are an integral part of these consolidated financial statements



**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 accompanying consolidated financial statements***1. GENERAL INFORMATION****Structure of ownership**

The Group consists of Petrovietnam Drilling and Well Services Corporation (the “Company”) and its 7 subsidiaries and 6 joint ventures as follows:

**The Company**

The Company is a joint stock company established in Vietnam in accordance with the Business Registration Certificate No. 4103004335 dated 15 February 2006 and its eleventh amendment dated 11 September 2015 issued by the Department of Planning and Investment (“DPI”) of Ho Chi Minh City, Business code No. 0302495126. The Company has merged from the equalization of Petrovietnam Drilling and Well Service Company, a wholly-owned subsidiary of Vietnam Oil and Gas Corporation (hereinafter referred to as “Petrovietnam”).

The Company consists of two divisions and two overseas branches 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 issued by the President dated 24 May 2007 changing the Drilling Management Committee into the Drilling Division and in accordance with the Business Registration Certificate No. 0302495126-007 dated 16 March 2010 replacing the Business Registration Certificate No. 4113028028 issued by the DPI of Ho Chi Minh City. The Drilling Division’s registered office is located at 3<sup>rd</sup> Floor, Sailing Tower Building, 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 issued by the Board of Management and the Business Registration Certificate No. 0302495126 dated 18 January 2010, and its amendment dated 19 May 2010 issued by the DPI of Ho Chi Minh City. PVD Invest’s registered office is located at 3<sup>rd</sup> 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 issued by the Board of Management and Establishment Certificate No. 04/STM-TT.TNNN dated 23 March 2006 issued by the Industry and Trade Department of Ho Chi Minh City. The Algeria Branch’s registered office is located at Cité Si El, Houas, No. 02, Villa No. 101, Hassi Messaoud, Ouargla, Algeria.
- Myanmar Branch was established in accordance with the Decision No. 01/03/2015/QĐ-HĐQT dated 04 March 2015 issued by the Board of Management and Establishment Certificate No. 594/CNĐK-SCT dated 18 Jun 2015 issued by the Trade Department of Ho Chi Minh City. The Myanmar Branch’s registered office is located at No. 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.

The number of employees of the Company and its subsidiaries as at 31 December 2015 was 465 and 2,406 respectively (as at 31 December 2014 was: 457 and 2,520).

**The subsidiaries**

PVD Offshore Services Company Limited (“PVD Offshore”) was established as a limited liability company under the Business Registration Certificate No. 3500803145 dated 1 September 2009 issued by DPI of Ba Ria - Vung Tau Province and its amendments. 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. PVD Offshore has principally engaged in providing repair, inspection and maintenance services for equipment and facilities of oil and gas industry; supplying manpower services having sufficient experience in drilling rig, manpower supply specialized in oil and gas drilling and exploitation for contractor operating in Vietnam and overseas; consulting for environmental assessment report, rescue plan of oil spills for facilities and activities that have risk of oil spills.

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

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

**Consolidated financial statements**  
For the year ended 31 December 2015

**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 accompanying consolidated financial statements*

PVD Well Services Company Limited ("PVD Well") was established as a limited liability company under the Business Registration Certificate No. 4104001468 dated 1 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Well's registered office is located at Room 13, 12A<sup>th</sup> Floor, Vincom Center Building, 47 Ly Tu Trong Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Well has principally engaged in providing tubular services, drilling equipment rental services, well drilling technical services, supplying specialized tool and equipment to serve the well drilling services.

Petroleum Well Logging Company Limited ("PVD Logging") was established as a limited liability company under the Business Registration Certificate No. 4104001513 dated 7 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Logging's registered office is located at 10<sup>th</sup> Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Logging has principally engaged in providing services including oil and gas well geophysical survey, oil and gas well testing, reservoir testing, cementing pumps and supplying manpower, tool and equipment for the other related services.

PVD Trading and Technical Services Joint Stock Company (formerly known as Petroleum Trading and Technical Services Company Limited, "PVD Tech") has changed legal form from a limited liability company to a joint stock company and commenced its operation as a joint stock company under the Amended Business Registration Certificate No. 0305124602 dated 12 July 2012 issued by DPI of Ho Chi Minh City. PVD Tech's registered office is located at 8<sup>th</sup> Floor, Green Power Building, 35 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Tech has principally engaged in providing materials and equipment for the oil and gas industry and other industries, implementing installation, inspection, repair, maintenance services of drilling rig, mending rig, exploiting rig.

PVD Technical Training and Certification Joint Stock Company ("PVD Training"), formerly known as Cuu Long Company Limited, is a joint stock company that was established in accordance with Business Registration Certificate No. 3500677518 dated 12 August 2011 issued by DPI of Ba Ria - Vung Tau Province, and its amendments. 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 Training has principally engaged in providing training, introduction and supply of manpower services in the oil and gas industry for domestic and overseas markets; as well as offer house, office and warehouse leasing.

PVD Deepwater Drilling Company Limited ("PVD Deepwater") was established as a limited liability company under the Business Registration Certificate No. 0310139354 dated 14 July 2010 issued by DPI of Ho Chi Minh City and its amendments. PVD Deepwater's registered office is located at 5<sup>th</sup> Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD Deepwater has principally engaged in providing supporting services in crude oil and natural gas exploitation; supplying deep-water rigs to support the search, exploration and exploitation of oil and gas; supplying materials and equipment, machinery of oil and gas to support the research, exploration and exploitation of other related industries; researching and developing the natural and technical sciences; technological consulting in the field of oil and gas.

PV Drilling Overseas Company Private Limited ("PVD Overseas") was established in Singapore under joint venture contract with Falcon Energy Group Limited and Business Registration No. 201308977C dated 4 April 2013. PVD Overseas's registered office is located at No. 9 Temasek Boulevard, #31\_00 Suntec Tower 2, Singapore. PVD Overseas has principally engaged in providing investment, drilling rental, supplying drilling services and the other related services related of exploration and exploitation of oil and gas.



**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

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

**Consolidated financial statements**  
For the year ended 31 December 2015

**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 accompanying consolidated financial statements*

Detailed information about capital contribution status and investment value in subsidiaries of the Company as at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiaries	31/12/2015				31/12/2014			
	Proportion of ownership interest/ voting power held	Registered charter capital (original currency)	Contributed charter capital (original currency)	Investment value USD	Proportion of ownership interest/ voting power held	Registered charter capital (original currency)	Contributed charter capital (original currency)	Investment value USD
PVD Offshore	100	VND 130,000,000,000	VND 130,000,000,000	6,748,980	100	VND 130,000,000,000	VND 130,000,000,000	6,748,980
PVD Well	100	VND 80,000,000,000	VND 80,000,000,000	4,081,469	100	VND 80,000,000,000	VND 80,000,000,000	4,081,469
PVD Logging	100	VND 80,000,000,000	VND 80,000,000,000	4,236,959	100	VND 80,000,000,000	VND 80,000,000,000	4,236,959
PVD Tech	100	VND 200,000,000,000	VND 200,000,000,000	10,324,805	100	VND 200,000,000,000	VND 200,000,000,000	10,324,805
PVD Training	52	VND 28,958,670,000	VND 28,958,670,000	1,096,066	52	VND 28,958,670,000	VND 28,958,670,000	1,096,066
PVD Deepwater	100	VND 764,000,000,000	VND 764,000,000,000	39,692,090	100	VND 764,000,000,000	VND 764,000,000,000	39,692,090
PVD Overseas	81.6	USD 41,961,000	USD 66,698,050	54,400,000	81.6	USD 41,961,000	USD 51,141,000	41,728,800
				<u>120,580,369</u>				<u>107,909,169</u>

Summary on the activities of subsidiaries: activities of subsidiaries in 2015 took place normally and there is no significant event critically affecting to the consolidated financial statements.

***The Joint Ventures***

Details of the Group's joint ventures with proportion of voting power held 50% are as follows:

BJ Services-PV Drilling Joint Venture Company Limited ("BJ-PVD") was established in Vietnam as a joint venture company under the Investment Certificate No. 492021000003 dated 28 September 2006 issued by the People's Committee of Ba Ria - Vung Tau Province and its amendments. 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. BJ-PVD has principally engaged in providing the entire package of services such as cementing pump, reservoir stimulation, dragging tubular and pumping nitrogen, etc. as well as technical solutions, laboratory services and chemicals supply. The total charter capital of BJ-PVD is USD 5 million, in which the Company holds 49% of its ownership.

PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited ("PVD-Baker Hughes") was established in Vietnam under the Investment Certificate No. 411022000556 dated 26 January 2011 issued by the People's Committee of Ho Chi Minh City and its amendments. PVD-Baker Hughes's registered office is located at 10<sup>th</sup> Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD-Baker Hughes has principally engaged in providing services in directional surveying drilling, measuring while drilling, coring sample, well geophysical surveying, hanging casehead over, rescuing if stuck, artificial reservoir pressuring, installing the intelligent well and mine technological exploitation. The total charter capital of PVD-Baker Hughes is USD 20 million, equivalent to VND 370,880,000,000 in which the Group holds 51% of its ownership.

PVD Tubulars Management Company Limited ("PVD Tubulars") was established in Vietnam under the Investment Certificate No. 492022000134 dated 7 October 2008 issued by the Board of Management of Ba Ria - Vung Tau Industrial Zone and its amendments. PVD Tubulars's registered office is located at Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province, S.R. Viet Nam. PVD Tubulars has principally engaged in providing products of drilling tube, casing, tubing operators and management service for casing package for all oil and gas companies which operate in exploration and exploitation on shore, offshore and deep water regions in Vietnam. The total charter capital of PVD Tubulars is VND 57.995 billion, equivalent to USD 3.5 million. The Company holds 51% of its ownership.

**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 accompanying consolidated financial statements*

Vietubes Corporation Limited (“Vietubes”) was established under the Investment Certificate No. 492022000111 dated 15 February 1995 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province and its amendments. Vietubes registered office is located at Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria - Vung Tau Province, S.R. Vietnam. Vietubes has principally engaged in providing forging, processing, repair, recovery inspection, verification of drilling tube, fabricated connectors, couplings and by-product supporting for drilling operations, oil and gas exploitation; metal processing, including cutting, formatting and stabilizing metal structure; precision mechanical processing for large details on automatic machines. The total charter capital of Vietubes is VND 77,297,205,000 equivalent to USD 3,707,300. Consequently, the Company holds 51% of its ownership.

PV Drilling Expo International Company Limited (formerly known as PV Drilling Production Testers International Company Limited, “PVD-Expro”) was established as a joint venture company under the Investment Certificate No. 491022000098 dated 25 April 2008 issued by the People’s Committee of Ba Ria - Vung Tau Province and its amendments. PVD-Expro registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R. Vietnam. The principal activities of PVD-Expro include providing drilling well reservoir testing service, mining equipment leasing, manpower supply in the operation field of itself with skilled engineers, workers experienced in working for foreign contractors. The total charter capital of PVD-Expro is USD 6,371,352. The Group holds 51% of its ownership.

PVD Tech-Oil State Industries Joint Venture Company Limited (“PVD - OSI”) was established in Vietnam as a joint venture company under the Investment Certificate No. 492022000217 dated 24 November 2011 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province. PVD - OSI registered office is located at Street 11, Phu My Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province, S.R. Vietnam. The principal activities of PVD - OSI include producing, manufacturing, forging, lathing tube connectors and components, spare parts in exploratory drilling sector and oil and gas industry; and providing repair, maintenance tube connectors services in exploratory drilling and oil and gas exploitation. The total charter capital of PVD - OSI is VND 105 billion, equivalent to USD 5 million. The Group holds 51% of its ownership.

**Principal activities**

The Group has principally engaged in providing services in drilling, well, wire line logging, oil spill controlling; supplying drilling rig, equipment, manpower; consulting investment- management project, management and other related services in the oil and gas industry.

**Normal business cycle**

The Group’s business cycle is carried out within the period of 12 months or less.

**Important events that occurred in the financial year**

Activities of the Group in 2015 took place normally and there is no significant event which causes material misstatements to the consolidated financial statements.

**Disclosure of information comparability in the consolidated financial statements**

As stated in Note 3, since 1 January 2015, the Group has adopted Circular No. 200/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 (“Circular 200”) guiding the accounting regime for enterprises and Circular No. 202/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 (“Circular 202”) guiding the preparation and presentation of consolidated financial statements. Circular 200 supersedes the regulations for accounting regime promulgated under Decision No. 15/2006/QĐ-BTC dated 20 March 2006 issued by the Ministry of Finance and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. Circular 202 supersedes section XIII in Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance guiding the preparation and presentation of consolidated financial statements in accordance with Vietnamese Accounting Standard No. 25 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries”. Accordingly, some figures of the consolidated balance sheet as at 31 December 2014 and the consolidated cash flow statement for the year ended 31 December 2014 have been reclassified under the guidance of Circular 200 and Circular 202 in the preparation and presentation of the financial statements to be comparable with the corresponding figures of this year, as described in Note 41.

**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 accompanying consolidated financial statements*

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The accompanying consolidated financial statements, expressed in United States Dollar ("USD"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Group's Board of Directors believe that the presentation of the consolidated financial statements of the Group in USD is necessary to reflect the economic nature of the Group's business transactions.

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

**Financial year**

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

**3. ADOPTION OF NEW ACCOUNTING GUIDANCE**

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") guiding the accounting regime for enterprises and Circular No. 202/2014/TT-BTC (Circular 202) guiding the preparation and presentation of consolidated financial statements. These circulars are effective for financial years beginning on or after 1 January 2015. Circular 200 supersedes the regulations for accounting regime promulgated under Decision No. 15/2006/QĐ-BTC dated 20 March 2006 issued by the Ministry of Finance and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. Circular 202 will supersede section XIII in Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance guiding the preparation and presentation of consolidated financial statements in accordance with Vietnamese Accounting Standard No. 25 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". The Board of Directors has adopted Circular 200 and Circular 202 in the preparation and presentation of the consolidated financial statements for the year ended 31 December 2015.

**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:

**Accounting estimates**

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Directors 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 financial year. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 31 December 2015 annually. Control is achieved where the Company 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 Company.

Intragroup transactions and balances are eliminated in full on consolidation.

**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 accompanying consolidated financial statements*

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are correspondently attributed to the non-controlling interests even if that amount is larger than the non-controlling interests in the net assets of the subsidiaries.

**Business combination**

On acquisition, the assets, 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 recognised as goodwill. Any deficiency of the acquiring cost below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Goodwill**

Goodwill represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognized as an intangible asset and is amortized on the straight-line basis over its estimated period of benefit of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately as intangible assets in the consolidated balance sheet.

Goodwill arising on the acquisition of jointly controlled entities is included in the carrying amount of the jointly controlled entities. From 1 January 2015, this goodwill is not amortized according to Circular 202.

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

**Financial instruments*****Initial recognition***

*Financial assets:* At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Group comprise cash and cash equivalents, held-to-maturity investments, trade and other receivables, and deposits.

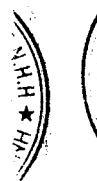
*Financial liabilities:* At the date of initial recognition, financial liabilities are recognized at historical cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Group comprise loans, trade and other payables, and accrued expenses.

***Subsequent measurement***

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

**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.



**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 accompanying consolidated financial statements*

**Held-to-maturity investments**

Held-to-maturity investments comprise investments that the Group has the positive intent and the ability to hold up to maturity, including term deposits to earn periodic interest.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the consolidated income statement on accrual basis.

Held-to-maturity investments are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

**Receivables**

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

Provision for doubtful debts is made for receivables that are overdue for six months or more or when the debtor is unable to pay back due to dissolution, bankruptcy, or similar difficulties.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of externally purchased inventories comprise buying price of inventory and where applicable, purchasing costs that have been incurred in bringing the inventories to their present location and condition. Costs of manufactured inventories comprise 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 evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the consolidated 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 comprise 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:

	Years
Buildings and structures	6 - 50
Machinery and equipment	5 - 20
Office equipment	3 - 4
Motor vehicles	7
Other assets	3 - 7

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the consolidated income statement.

**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 accompanying consolidated financial statements*

**Leasing**

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

*The Group as lessor:* Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

*The Group as lessee:* Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

**Intangible assets and amortization**

Intangible assets represent the land use rights, the copyright of computer software and others. The total amount is stated at cost less accumulated amortization. Land use rights with indefinite useful lives are not amortized. Land use rights with definite useful lives are amortized on a straight-line basis over the term of land use rights. Computer software and other intangible assets are amortized using the straight-line method over their estimated useful lives as five years.

**Construction in progress**

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction costs, equipment costs, other costs and related borrowing costs in accordance with the Group's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when the assets are put into use.

**Long-term financial investments**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. This can be explained that the strategic financial and operating policy decisions relating to the activities requires the unanimous consent from jointly controlled parties.

In the case when a group entity directly undertakes financial activities under joint venture arrangements, the Group's share in consolidated controlled assets and any shared liabilities incurred with other ventures are recognised 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 recorded on the accrual basis. Income from the sales or the use of share output from joint venture's operation, and the born costs that 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 are involved with the establishment of a separate entity in which each party has an interest are referred to as a jointly controlled entity. The Group reports its interests of jointly controlled entities using the equity method of accounting.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy as noted for "Goodwill".

**Prepayments**

Prepayments comprise actual costs incurred yet attributable to operating activities of more than one accounting period.

Prepayments comprise tools and spare parts incurred during the year which are expected to generate the future economic benefit to the Group for more than one year. These expenditures have been capitalized as long-term prepayments and allocated to the consolidated income statement using the straight-line method over periods from one year to three years.



**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 accompanying consolidated financial statements*

**Accrued expenses**

Accrued expenses include accruals for operation of rigs and other expenses. Accrued expenses reflect the value of the amounts accrued as production costs but not yet actually paid at the balance sheet date.

**Payable provisions**

Payable provisions are recognized when the Group has a present obligation as a result past events, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimation of the expenditure required to settle the obligation as at the balance sheet date.

**Revenue recognition**

Revenue from the sale of goods is recognised 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 recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each year by reference to the percentage of completion of the transaction at the consolidated balance sheet date of that year. 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 accrual on a time basis, by reference to the principal outstanding and at the applicable interest rate.

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

**Severance allowance payable**

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the six consecutive months nearest to the date of the consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

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

The Group applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 "Effects of changes in foreign exchange rates" (VAS 10). Accordingly, transactions arising in foreign currencies are translated at exchange rates ruled at the transaction date. The balances of monetary items denominated in foreign currencies as at the consolidated balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the consolidated income statement. Unrealized exchange gains as at the consolidated balance sheet date are not treated as part of distributable profit to shareholders.

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiaries and overseas branches are translated to reporting currency using exchange rates prevailing as at the consolidated balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising when translating the financial statements of subsidiaries and foreign branches are recognized into the consolidated balance sheet's equity on the balance sheet based on the following principles:

- *Exchange differences allocated for the Group are presented in the "Foreign exchange reserve" under the "Equity" section on the consolidated balance sheet;*
- *Exchange differences allocated for the non-controlling shareholders are presented in the "Non-controlling interest".*

Exchange differences arising from translating the goodwill at the consolidated balance sheet date which is not allocated is totally charged to the Company and presented in the "Foreign exchange reserve" under the "Equity" section on the consolidated balance sheet.

Exchange differences will be charged to the consolidated income statements once the subsidiaries and overseas branches are disposed.

**Borrowing costs**

Borrowing costs are recognized in the consolidated income statements in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, 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. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is less than 12 months.

**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 consolidated 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 also excludes items that are non-taxable or non-deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.



**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. 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 offset current tax assets against current tax liabilities and when they relate to income taxes governed 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**

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Cash on hand	175,402	223,834
Demand deposit	90,801,463	46,123,939
Cash equivalents	64,767,873	104,654,498
	<u><b>155,744,738</b></u>	<u><b>151,002,271</b></u>

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

**6. HELD-TO-MATURITY INVESTMENTS**

	31/12/2015		31/12/2014	
	Cost	Carrying amount	Cost	Carrying amount
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Time deposits	<u>39,637,617</u>	<u>39,637,617</u>	<u>561,862</u>	<u>561,862</u>

Held-to-maturity investments as at 31 December 2015 represent time deposits with the maturity day of more than 3 months and interest rates changed at regular intervals as notified by commercial banks.

**7. SHORT-TERM TRADE RECEIVABLES**

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Details of receivables by customer accounts for 10% or more of the total short-term trade receivables		
- Bien Dong Joint Operating Company - Related party	23,786,424	27,579,318
- Cuu Long Joint Operating Company - Related party	27,206,110	21,549,987
- PetroVietnam Domestic Exploration Production Operating Company Limited (Lot 09-2/09)	14,299,505	18,642
- Other receivables	51,918,444	172,133,956
In which: receivables from related parties		
<i>BJ Services-PV Drilling Joint Venture Company Limited</i>	134,184	838,775
<i>PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited</i>	311,281	2,714,646
<i>PVD Tubulars Management Company Limited</i>	2,999,682	1,115,091
<i>PV Drilling Expo International Company Limited</i>	367,332	1,115,091
	<u><b>117,210,483</b></u>	<u><b>221,281,903</b></u>

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

4<sup>th</sup> Floor, Sailing Tower, 111A Pasteur Street, District 1  
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**Consolidated financial statements**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN**  
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**8. OTHER SHORT-TERM RECEIVABLES**

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Interest income receivables	266,410	298,167
Receivable related to profits received	213,793	3,052,895
Receivable from employees	62,480	24,676
Deposits	218,148	363,735
Other receivables	2,230,344	2,031,757
	<u><b>2,991,175</b></u>	<u><b>5,771,230</b></u>

**9. INVENTORIES**

	31/12/2015		31/12/2014	
	Cost	Provision	Cost	Provision
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Goods in transit	1,708,333	-	248,616	-
Raw materials	38,778,659	(5,875,561)	36,928,182	(2,663,919)
Tools and supplies	80,913	-	171,127	-
Work in progress	2,339,501	-	2,289,830	-
Merchandise	5,836,043	-	16,559,432	-
Goods on consignment	1,849,388	-	4,162,548	-
	<u><b>50,592,837</b></u>	<u><b>(5,875,561)</b></u>	<u><b>60,359,735</b></u>	<u><b>(2,663,919)</b></u>

**10. INCREASE, DECREASE TANGIBLE FIXED ASSETS**

	Buildings, structures	Machinery, equipment	Office equipment	Motor vehicles	Other assets	Total
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>COST</b>						
As at 1/1/2015	16,548,192	764,968,635	2,924,465	3,143,469	49,043	787,633,804
Additions	103,262	9,849,428	262,379	273,363	-	10,488,432
Transfer from construction in progress	156,910	221,727,097	-	-	-	221,884,007
Disposals	-	(194,224)	(61,639)	-	-	(255,863)
Other decreases	-	(19,729)	(19,231)	-	-	(38,960)
Foreign exchange differences	(466,239)	(16,456,849)	(39,964)	(67,741)	(133)	(17,030,926)
As at 31/12/2015	<u>16,342,125</u>	<u>979,874,358</u>	<u>3,066,010</u>	<u>3,349,091</u>	<u>48,910</u>	<u>1,002,680,494</u>
<b>ACCUMULATED DEPRECIATION</b>						
As at 1/1/2015	5,009,616	236,696,705	2,281,921	2,251,041	42,217	246,281,500
Charge for the year	885,198	61,251,556	272,718	354,919	9,252	62,773,643
Disposals	-	(154,798)	(61,267)	-	-	(216,065)
Other decreases	-	(13,070)	(14,207)	-	-	(27,277)
Foreign exchange differences	(350,658)	(6,623,473)	(28,430)	(39,362)	(2,559)	(7,044,482)
As at 31/12/2015	<u>5,544,156</u>	<u>291,156,920</u>	<u>2,450,735</u>	<u>2,566,598</u>	<u>48,910</u>	<u>301,767,319</u>
<b>NET BOOK VALUE</b>						
As at 31/12/2015	<u><b>10,797,969</b></u>	<u><b>688,717,438</b></u>	<u><b>615,275</b></u>	<u><b>782,493</b></u>	<u><b>-</b></u>	<u><b>700,913,175</b></u>
As at 31/12/2014	<u><b>11,538,576</b></u>	<u><b>528,271,930</b></u>	<u><b>642,544</b></u>	<u><b>892,428</b></u>	<u><b>6,826</b></u>	<u><b>541,352,304</b></u>

Foreign exchange differences resulted from the conversion of the Company's subsidiaries and Algeria Branch's financial statements from historical costs of fixed assets, which are VND and Algerian Dinars ("DZD"), into USD.

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As stated in Note 22, the Group has pledged some tangible fixed assets which are rig PV Drilling II, PVD Drilling V and PVD Drilling VI with the carrying amount of USD 482,732,804 as at 31 December 2015 (as at 31 December 2014, rig PV Drilling II, rig PV Drilling III, rig PV Drilling V: USD 454,576,947) as collaterals for the Group's loans.

As at 31 December 2015, the cost of the Group's tangible fixed assets included an amount of USD 16,294,548 (as at 31 December 2014: USD 12,057,352) of tangible fixed assets which have been fully depreciated but are still in use.

Depreciation charged for the year included USD 112,965 of depreciation of fixed assets constructed and purchased by Scientific and Technological Development Fund for the purpose of scientific and technological developmental researches (2014: USD 108,258).

In March 2015, PVD Drilling VI was completed and put in operation.

**11. INCREASE, DECREASE IN INTANGIBLE ASSETS**

	Land use rights USD	Computer software USD	Others USD	Total USD
<b>COST</b>				
As at 01/01/2015	8,721,373	2,770,649	1,602,776	13,094,798
Additions	-	414,674	-	414,674
Foreign exchange differences	(139,410)	(9,941)	-	(149,351)
As at 31/12/2015	<u>8,581,963</u>	<u>3,175,382</u>	<u>1,602,776</u>	<u>13,360,121</u>
<b>ACCUMULATED AMORTISATION</b>				
As at 01/01/2015	745,081	1,612,992	1,309,788	3,667,861
Charge for the year	163,950	499,655	291,417	955,022
Foreign exchange differences	(3,877)	(7,845)	-	(11,722)
As at 31/12/2015	<u>905,154</u>	<u>2,104,802</u>	<u>1,601,205</u>	<u>4,611,161</u>
<b>NET BOOK VALUE</b>				
As at 31/12/2015	<u>7,676,809</u>	<u>1,070,580</u>	<u>1,571</u>	<u>8,748,960</u>
As at 31/12/2014	<u>7,976,292</u>	<u>1,157,657</u>	<u>292,988</u>	<u>9,426,937</u>

Foreign exchange differences resulted from the translation of the Company's subsidiaries and Algeria Branch's financial statements from historical costs of fixed assets, which are VND and DZD into USD.

As at 31 December 2015, the cost of the Company's intangible fixed assets which have been fully amortized but are still in use is USD 2,728,974 (as at 31 December 2014: USD 1,092,873).

**12. CONSTRUCTION IN PROGRESS**

	31/12/2015 USD	31/12/2014 USD
Construction of PV Drilling VI rig	-	66,641,558
Construction of drilling devices	11,776	2,119,095
Copyright fee of human resources software	-	8,176
Other construction works	2,344,535	721,738
	<u>2,356,311</u>	<u>69,490,567</u>

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

The book value of Group's interests in joint ventures using the equity method of accounting as at the balance sheet date as follows:

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

The Company has not assessed the fair value of investments in joint ventures at the balance sheet date due to no specific guidance on the determination of fair value.

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**14. DEFERRED TAX ASSETS**

Deferred tax assets as at 31 December 2015 are derived from the temporary differences which are accrued expenses, other provisions and unrealized foreign exchange differences from revaluation of cash and receivables.

	Accrued expenses and other provisions USD	Unrealized foreign exchange difference USD	Total USD
As at 01/01/2014	(65,864)	60,961	(4,903)
Charged to income statement for the year	420,244	(41,507)	378,737
Foreign exchange differences from translation	(142)	312	170
<b>As at 31/12/2014</b>	<b>354,238</b>	<b>19,766</b>	<b>374,004</b>
Charged to income statement for the year	888,923	176,024	1,064,947
Foreign exchange differences from translation	(1,734)	80	(1,654)
<b>As at 31/12/2015</b>	<b>1,241,427</b>	<b>195,870</b>	<b>1,437,297</b>

**15. SHORT-TERM TRADE PAYABLES**

	31/12/2015		31/12/2014	
	Amount USD	Amount able to be paid off USD	Amount USD	Amount able to be paid off USD
Details of supplier accounts for 10% or more of the total short-term trade payables:				
Oil States Industries (Asia) Pte. Ltd.	9,650,033	9,650,033	13,273,715	13,273,715
Other suppliers	54,636,062	54,805,644	121,894,243	121,894,243
	<b>64,286,095</b>	<b>64,455,677</b>	<b>135,167,958</b>	<b>135,167,958</b>

**16. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET**

	31/12/2015 USD	31/12/2014 USD
Value added tax	2,295,296	9,945,669
Import tax	59,337	181
Corporate income tax	1,487,724	7,272,252
Personal income tax	963,474	1,933,788
Others	2,692,906	3,151,991
	<b>7,498,737</b>	<b>22,303,881</b>

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Obligations to the State budget during the year of the Group are as follows:

	01/01/2015 USD	Additions USD	Paid USD	Foreign exchange differences USD	31/12/2015 USD
Value added tax	9,945,669	33,960,661	41,481,537	(129,497)	2,295,296
Import tax	181	2,236,055	2,175,233	(1,666)	59,337
Corporate income tax	7,272,252	17,830,728	23,407,845	(207,411)	1,487,724
Personal income tax	1,933,788	19,692,772	20,641,362	(21,724)	963,474
Others	3,151,991	40,051,364	40,578,980	(36,654)	2,587,721
	<u>22,303,881</u>	<u>113,771,580</u>	<u>128,284,957</u>	<u>(396,952)</u>	<u>7,393,552</u>
In which:					
Tax receivables from the State budget	-				(105,185)
Tax payables to the State budget	<u>22,303,881</u>				<u>7,498,737</u>

**17. SHORT-TERM ACCRUED EXPENSES**

	31/12/2015 USD	31/12/2014 USD
Accrued expenses for the operation of drilling rigs	5,786,019	38,476,978
Accrued expenses related to supply of goods and services supplying	11,287,936	19,486,904
Accrued interest expenses	1,345,566	1,484,357
Other expenses	<u>5,779,673</u>	<u>5,611,390</u>
	<u>24,199,194</u>	<u>65,059,629</u>

**18. OTHER SHORT-TERM PAYABLES**

	31/12/2015 USD	31/12/2014 USD
Profit sharing to BCC	10,304,314	10,134,045
Other payables	<u>279,208</u>	<u>1,833,822</u>
	<u>10,583,522</u>	<u>11,967,867</u>

**19. SHORT-TERM LOANS**

	31/12/2014		In the year			31/12/2015	
	Amount USD	Amount able to be paid off USD	Increases USD	Decreases USD	Foreign exchange differences USD	Amount USD	Amount able to be paid off USD
Short-term loan	121,349	121,349	6,362,744	(5,965,824)	(17,825)	500,444	500,444
Current portion of long-term loans (see Note 21)	54,318,724	54,318,724	49,958,886	(53,350,953)	(967,771)	49,958,886	49,958,886
	<u>54,440,073</u>	<u>54,440,073</u>	<u>56,321,630</u>	<u>(59,316,777)</u>	<u>(985,596)</u>	<u>50,459,330</u>	<u>50,459,330</u>



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Details of short-term loans are follows:

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	<u>500,444</u>	<u>121,349</u>

Short-term loans represent the unsecured loan with the maximum period of six months to finance for the Group's working capital. The interest rate is determined based on each loan contract. PVD Tech made fully payment for this loan at the consolidated financial statement date.

**20. SHORT-TERM PROVISIONS**

	Provision for salary fund <u>USD</u>	Provision for overhaul cost of fixes assets <u>USD</u>	Provision for product warranty <u>USD</u>	Provision for severance allowance <u>USD</u>	Total <u>USD</u>
As at 01/01/2015	4,876,309	10,380,543	-	-	15,256,852
Transfer from long-term	-	7,206,956	-	-	7,206,956
Additions	4,072,703	3,692,709	488,763	1,040,676	9,294,851
Utilise during the year	(1,720,641)	(5,621,876)	-	-	(7,342,517)
Reversal of provisions	(3,155,668)	-	-	-	(3,155,668)
<b>As at 31/12/2015</b>	<b><u>4,072,703</u></b>	<b><u>15,658,332</u></b>	<b><u>488,763</u></b>	<b><u>1,040,676</u></b>	<b><u>21,260,474</u></b>

The provision for salary fund was provided at rate of 17% of approved salary fund to maintain the continuously operation of drilling rigs according to the Group's decision.

The provision for overhaul costs of fixed assets represents the overhaul costs accrued at each financial year based on the reliable estimated costs to be incurred within the next one year in accordance with technical requirements of the Group's drilling rigs.

The provision for product warranty provided for products and services was transferred to the buyers but the Group is still obliged to repair and complete these products following the principle of contracts or commitments.

The Provision for severance allowances was provided following the principle of the Labor Law, Social Insurance Law and guidelines related and approved by decision of the Group.

**21. LONG-TERM LOANS**

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Long-term loans	284,178,739	199,943,517
Current portion of long-term loans	<u>(49,958,886)</u>	<u>(54,231,233)</u>
	<b><u>234,219,853</u></b>	<b><u>145,712,284</u></b>

	31/12/2014	In the year			31/12/2015	
	Amount <u>USD</u>	Amount able to be paid off <u>USD</u>	Increases <u>USD</u>	Decreases <u>USD</u>	Foreign exchange differences <u>USD</u>	Amount <u>USD</u>
Long-term loans	145,712,284	145,712,284	138,682,067	(49,958,886)	(215,612)	234,219,853
						234,219,853

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Details long-term loans are as follows:

	31/12/2015 USD	31/12/2014 USD
Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV")	59,188,277	82,388,277
MBBank and Vietnam Joint Stock Commercial Bank For Industry and Trade ("Vietinbank")	43,917,110	53,676,467
HSBC Bank (Vietnam) Limited ("HSBC")	-	5,750,000
Standard Chartered Bank ("SC Bank")	11,846,778	23,693,556
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	10,544,508	14,247,073
Southeast Asia Commercial Joint Stock Bank ("Seabank")	158,682,066	20,000,000
Foreign exchange differences from translation	-	188,144
	<b>284,178,739</b>	<b>199,943,517</b>

Supplemental information for the Group's long-term loans is as follows:

<u>Name of Bank</u>	<u>Purpose of financing</u>	<u>Interest rate %</u>	<u>Form of collaterals</u>	<u>Balance 31/12/2015</u>	<u>Currency</u>
BIDV	PVDrilling II	12 months saving deposit + margin	PV Drilling II	59,188,277	USD
SC Bank	PVDrilling V	12 months saving deposit + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	8,246,778	USD
SC Bank	PVDrilling V	SIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	3,600,000	USD
Vietcombank	PVDrilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	8,531,778	USD
MBBank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	43,917,110	USD
Vietcombank	Buying machinery and equipment at PVD Tech	12 months saving deposit + margin	Formed assets from project	28,747,265,687	VND
Vietcombank	Investing in new tubulars dragging at PVD Well	12 months saving deposit + margin	Formed assets from project	16,579,434,945	VND
SEAbank	PV Drilling VI	LIBOR 3 months + margin	Guaranteed by value of PV Drilling VI with corresponding loan proportion	158,682,066	USD

Long-term loans are repayable as follows:

	31/12/2015 USD	31/12/2014 USD
Within one year	49,958,886	54,231,233
In the second year	54,301,563	44,788,235
In the third to fifth year inclusive	126,469,290	87,391,228
After five years	53,449,000	13,532,821
	<b>284,178,739</b>	<b>199,943,517</b>
Less: Amount due for settlement within 12 months (shown under short-term loans)	(49,958,886)	(54,231,233)
<b>Amount due for settlement after 12 months</b>	<b>234,219,853</b>	<b>145,712,284</b>

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**22. LONG-TERM PROVISIONS**

	Provision for overhaul cost of fixes assets USD	Provision for product warranty USD	Total USD
As at 01/01/2015	10,358,580	-	10,358,580
Transfer to short-term	(7,206,956)	-	(7,206,956)
Additions	7,190,904	439,133	7,630,037
<b>As at 31/12/2015</b>	<b>10,342,528</b>	<b>439,133</b>	<b>10,781,661</b>

The provision for overhaul costs of fixed assets represents the overhaul costs accrued at each financial year based on the reliable estimated costs to be incurred in the future in accordance with technical requirements of the Company's drilling rigs.

The provision for product warranty provided for products and services have been transferred to the buyers but the Group is still obliged to repair and complete these products following the terms of contracts or commitments.

**23. SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND**

According to the Group's Charter, the Group is permitted to appropriate profit to the scientific and technological development fund with the amount appropriated does not exceed 10% of taxable profit.

Movement of Scientific and Technological Development Fund during the year are as follows:

	31/12/2015 USD	31/12/2014 USD
<b>Opening balance:</b>	<b>40,989,411</b>	<b>26,239,612</b>
- Science and technology funds available	40,324,829	26,219,615
- The carrying value of assets is formed from science and technology funds	664,582	19,997
	<b>9,844,365</b>	<b>15,017,217</b>
<b>Additions:</b>	<b>9,844,365</b>	<b>15,017,217</b>
-Fund appropriation	(222,780)	(137,685)
<b>Deduction (*):</b>	<b>(1,942,203)</b>	<b>(782,270)</b>
-Fund usage	1,832,388	752,843
<i>in which: forming in fixed assets</i>	(112,965)	(108,258)
- Depreciation	(649,084)	(129,733)
- Foreign exchange differences from translation	<b>49,961,913</b>	<b>40,989,411</b>
<b>Ending balance:</b>	<b>47,577,908</b>	<b>40,324,829</b>
- Science and technology funds available	2,384,005	664,582
- The carrying value of assets is formed from science and technology funds		

(\*) As at 31 December 2015, the accumulated usage amount of Scientific and Technological Development Fund of the Group was USD 2,700,233 equivalent to VND 60,620,219,840.

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**24. OWNERS' EQUITY**

**Charter Capital**

According to the eleventh amendment of the Business Registration Certificate, the Group's charter capital as at 31 December 2015 is VND 3,484,662,590,000 equivalent to USD 181,630,323. The number of shares which has been approved and issued by the Group as below:

	31/12/2015		31/12/2014	
	Number of shares	VND	Number of shares	VND
<b>Authorized share capital</b>	<b>348,466,259</b>	<b>3,484,662,590,000</b>	<b>303,073,350</b>	<b>3,030,733,500,000</b>
<b>Issued share capital</b>				
Ordinary shares	328,314,259	3,283,142,590,000	282,921,350	2,829,213,500,000
Ordinary shares subject to restriction of ownership transfer	20,152,000	201,520,000,000	20,152,000	201,520,000,000
	<b>348,466,259</b>	<b>3,484,662,590,000</b>	<b>303,073,350</b>	<b>3,030,733,500,000</b>
<b>Treasury shares</b>				
Ordinary shares	(416,000)	(4,160,000,000)	(36,450)	(364,500,000)
	<b>(416,000)</b>	<b>(4,160,000,000)</b>	<b>(36,450)</b>	<b>(364,500,000)</b>
<b>Shares currently in circulation</b>				
Ordinary shares	327,898,259	3,278,982,590,000	282,884,900	2,828,849,000,000
Ordinary shares subject to restriction of ownership transfer	20,152,000	201,520,000,000	20,152,000	201,520,000,000
	<b>348,050,259</b>	<b>3,480,502,590,000</b>	<b>303,036,900</b>	<b>3,030,369,000,000</b>

Ordinary shares have a par value of VND 10,000. The Group has only one class of ordinary shares which carry no right to fixed dividend. Common shareholders will receive dividends at the time of declaration and be entitled to a voting right for each owned share at the shareholders' meeting. All shares rank equally with regard to the Group's residual assets.

Ordinary shares subject to restriction of ownership transfer have a par value of VND 10,000. These ordinary shares subject to restriction of ownership transfer that shareholders have no right to sold the shares within the first 1 year to 3 years since the issued date. As at 31 December 2015, ordinary shares subject to restriction of ownership transfer are Petrovietnam's shares which are subject to restriction of ownership transfer within 3 years since 18 July 2013.

Petrovietnam, which is both the founding shareholder and the main shareholder of the Group, currently hold 175,671,690 shares, equivalent to 50.40% as at 31 December 2015 and 50.39% as at 31 December 2014 of total shares in circulation of the Group.

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Movement in owners' equity during the year were as follows:

	Owners' contributed capital USD	Share premium USD	Treasury shares USD	Foreign exchange reserve USD	Investment and development fund USD	Financial reserve fund USD	Retained earnings USD	Non- controlling interests USD	Total USD
As at 01/01/2014	148,114,675	127,400,152	(629,308)	(8,268,443)	37,615,208	17,375,183	146,078,494	1,405,436	469,091,397
Dividend paid	12,980,516	-	-	-	-	-	(38,933,624)	(151,837)	(26,104,945)
Capital contribution	-	-	-	-	-	-	-	9,412,200	9,412,200
Buying treasury shares	-	-	(17,257)	-	-	-	-	-	(17,257)
Foreign exchange differences	-	-	-	(260,906)	(46,417)	(23,209)	152,706	(21,897)	(199,723)
Profit for the year	-	-	-	-	-	-	120,099,412	-	120,099,412
Funds distributions	-	-	-	-	11,190,725	2,219,339	(29,059,293)	(69,626)	(15,718,856)
Distributions to NCI	-	-	-	-	-	-	(464,173)	464,173	-
Distributions to BCC	-	-	-	-	-	-	(5,236,972)	-	(5,236,972)
Bonus of treasury shares	-	(629,308)	629,308	-	-	-	-	-	-
Other decreases	-	-	-	-	-	(2,549)	(14,372)	-	(16,921)
<b>As at 31/12/2014</b>	<b>161,095,191</b>	<b>126,770,844</b>	<b>(17,257)</b>	<b>(8,529,349)</b>	<b>48,759,516</b>	<b>19,568,764</b>	<b>192,622,178</b>	<b>11,038,449</b>	<b>551,308,336</b>
Reclassification per Circular 200	-	-	-	-	19,568,764	(19,568,764)	-	-	-
<b>As at 01/01/2015</b>	<b>161,095,191</b>	<b>126,770,844</b>	<b>(17,257)</b>	<b>(8,529,349)</b>	<b>68,328,280</b>	<b>-</b>	<b>192,622,178</b>	<b>11,038,449</b>	<b>551,308,336</b>
Dividend paid	20,535,132	-	-	-	-	-	(41,114,734)	(127,463)	(20,707,065)
Capital contribution	-	-	-	-	-	-	-	2,885,850	2,885,850
Buy-back treasury shares	-	-	(949,244)	-	-	-	-	-	(949,244)
Foreign exchange differences	-	-	-	(5,589,147)	-	-	(6,881)	(86,664)	(5,682,692)
Profit for the year	-	-	-	-	-	-	79,772,111	-	79,772,111
Funds distribution	-	-	-	-	7,666,928	-	(18,439,314)	(54,374)	(10,826,760)
Distributions to NCI	-	-	-	-	-	-	(512,169)	512,169	-
Distributions to BCC	-	-	-	-	-	-	(3,292,263)	-	(3,292,263)
Other decreases	-	-	-	-	-	-	43,446	40,446	83,892
<b>As at 31/12/2015</b>	<b>181,630,323</b>	<b>126,770,844</b>	<b>(966,501)</b>	<b>(14,118,496)</b>	<b>75,995,208</b>	<b>-</b>	<b>209,072,374</b>	<b>14,208,413</b>	<b>592,592,165</b>

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In 2015, the Group bought 379,550 treasury shares according to Resolution No. 01/12/2014/NQ-HDQT dated 18 December 2014.

Foreign exchange reserve represents the differences from the conversion of the Company's subsidiaries and Algeria Branch's financial statements from VND and DZD into USD.

The Group temporarily appropriated for investment and development fund, bonus and welfare fund, bonus fund for the management out of the Group's profit after tax during the year with the rates of 10%, 12.5% and 1.5%, respectively, in accordance with the Group's Charter. According to Circular 200/2014/TT-BTC, the Group does not appropriate financial reserve fund from 1 January 2015 and the balance of financial reserve fund as at 31 December 2014 was transferred to investment and development fund. The final amounts of such appropriations will be determined and approved by shareholders at the Shareholders' Annual General Meeting.

According to Resolution of the Shareholders' Meeting No. 01/2015/NQ-DHDCD dated 12 May 2015, the Company declared dividends of 2014 at rate of 30% of its charter capital, in which 15% will be paid in cash and 15% will be paid in shares. At 31 December 2015, the Corporation has implemented the payment of 15% cash dividends to shareholders in the amount of USD 20,579,602 equivalent to VND 453,986,025,000. The company also increased its charter capital of USD 20,535,132 equivalent to VND 453,929,090,000 from the 15% dividend paid in shares in 2014.

**Detailed movement in foreign exchange differences were as follows:**

	Exchange rate difference from conversion of foreign operation (Algeria Branch) USD	Exchange rate difference from translation of subsidiaries' financial statements USD	Total USD
As at 01/01/2014	(216,391)	(8,052,052)	(8,268,443)
Additions in the year	(590,121)	329,215	(260,906)
As at 31/12/2014	(806,512)	(7,722,837)	(8,529,349)
Additions in the year	(1,053,693)	(4,535,454)	(5,589,147)
As at 31/12/2015	<u>(1,860,205)</u>	<u>(12,258,291)</u>	<u>(14,118,496)</u>

**25. NON-CONTROLLING INTERESTS**

Non-controlling interests ("NCI") represent the other shareholders' portion in net assets value and the operating result of PVD Training, PVD Overseas and BCC interests as follows:

	2015 USD	2014 USD
NCI of PVD Training và PVD Overseas (*)	512,169	464,173
BCC interests (**)	3,292,263	5,236,972
	<u>3,804,432</u>	<u>5,701,145</u>

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**(\*) Details of NCI rates of PVD Training and PVD Overseas**

The rate of non-controlling interests at PVD Training and PVD Overseas as at 31 December 2015 and 31 December 2014 were as follows:

	PVD Training VND	PVD Overseas USD
Charter capital of subsidiaries	28,958,670,000	66,698,050
Including:		
Distributed capital to the Company	14,996,960,000	54,400,000
Distributed capital to the non-controlling interests	13,961,710,000	12,298,050
<b>Rate of the non-controlling interests</b>	<b>48.21%</b>	<b>18.44%</b>

Net assets in PVD Training and PVD Overseas as at 31 December 2015 and 31 December 2014 were as follows:

	31/12/2015 USD	31/12/2014 USD
Total assets	239,269,629	80,909,594
Total liabilities	(167,755,840)	(26,395,510)
<b>Net assets</b>	<b>71,513,789</b>	<b>54,514,084</b>
<i>Details as follows:</i>		
Charter capital	68,304,558	52,747,508
Share premium	16,506	16,506
Foreign exchange differences from translation	(502,312)	(322,557)
Other funds	591,412	544,037
Retained earnings	3,103,625	1,528,590

NCI in net asset in PVD Training and PVD Overseas as at the consolidated balance date was as follows:

	31/12/2015 USD	31/12/2014 USD
<b>Non-controlling interests</b>	<b>14,208,413</b>	<b>11,038,449</b>
<i>Details as follows:</i>		
<i>PVD Training</i>		
Charter capital	774,538	774,538
Share premium	7,249	7,249
Foreign exchange differences from translation	(247,731)	(161,066)
Other funds	285,136	262,295
Retained earnings	836,384	743,233
<i>PVD Overseas</i>		
Contributed capital	12,298,050	9,412,200
Retained earnings	254,787	-

NCI in operating results:

	2015 USD	2014 USD
Profit for the year	1,915,676	962,763
Non-controlling interests in operating result	512,169	464,173

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**(\*\*) Details of interests of BCC**

The Group and its partners in BCC including PetroVietnam, Military Joint-Stock Commercial Bank (“MB”) and Ocean Joint-Stock Commercial Bank (“OCB”) have incorporated in financing and operating the Tender Assist Drilling Rig project (“TAD” or “PV Drilling V”) for the period of 17 years since 10 September 2009. According to BCC, the Group has been authorised to manage and operate the project as well as accounted for its results as a base for profit/(loss) sharing to all partners on contribution percentage in BCC.

Percentage of capital contribution of all partners in BCC as follows:

	Percentage %
Capital contribution of Petrovietnam	23.00
Capital contribution of the Group	62.43
Capital contribution of MBBank	9.71
Capital contribution of OceanBank	4.86

The results of BCC were represented in the consolidated financial statements of the Group as follows:

	31/12/2015 USD	31/12/2014 USD
Total Assets	175,107,453	187,095,859
<i>In which: Net book value of PV Drilling V rig</i>	<u>132,059,255</u>	<u>152,476,631</u>

The actual contributed capital of other partners (Petrovietnam, MBBank và OceanBank) in BCC in order to finance and operate “TAD” project was recognized as other long-term payables. The other long-term payables as at 31 Dec 2015 and 31 Dec 2014 were as follows:

	31/12/2015 USD	31/12/2014 USD
Petrovietnam	14,491,854	14,491,854
MBBank	6,915,000	6,915,000
OceanBank	3,457,500	3,457,500
Foreign exchange difference from translation	(3,542,866)	(2,264,339)
	<u>21,321,488</u>	<u>22,600,015</u>



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The business performance and the profit distribution based on the proportions of their capital contributions as at 31 December 2015 and 31 December 2014 as follows:

	2015 USD	2014 USD
Net revenue	70,210,206	77,063,468
Cost of sales	51,085,049	53,519,714
General and administration expenses	4,462,101	5,318,708
Financial expenses	7,246,793	5,757,923
Financial income	1,155,201	676,197
Other profit	-	134,561
Net income	8,571,464	13,277,881
Adjustment for expenditures not subject to BCC	191,545	661,354
Net income distributed to BCC parties	8,763,009	13,939,235
<i>Shared profit as the percentage of contribution</i>		
The Group	5,470,746	8,702,263
Other BCC parties:	3,292,263	5,236,972
<i>Petrovietnam</i>	2,015,493	3,206,024
<i>MBBank</i>	850,888	1,353,500
<i>OceanBank</i>	425,882	677,448

Until the date of this consolidated financial statement, the report of business activities of BCC for the year end 31 December 2015 has not yet been verified and settled between partners in BCC. Therefore, the Company just temporarily recorded the business performance and the profit distributions to partners in BCC based on the proportions of their capital contributions.

**26. OFF BALANCE SHEET ITEMS**

**Operating lease assets**

Minimum lease payment in the future under non-cancellable operating leases under the terms described in Note 37.

**Foreign currencies**

	31/12/2015	31/12/2014
Vietnam Dong ("VND")	2,691,384,099,209	2,506,771,758,512
Euro ("EUR")	10,094	9,056
British Pound ("GBP")	5,779	10,152
Singapore Dollar ("SGD")	36,930	17,493
Algerian Dinar ("DZD")	27,853,768	57,432,042

**27. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Business segments**

For management purposes, the Group is currently organized into three operating divisions - drilling services, trading and other services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Drilling services: providing drilling rigs and drilling services
- Trading: provide material and equipment for drilling activities
- Other services: provide well services, wire line logging, oil spill control service, drilling manpower supply service, investment-management project consulting service, management consulting service and other related services in the oil and gas industry.

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Segment information about the Group's operations is presented below:

**Consolidated balance sheet****As at 31 December 2015**

	Drilling services USD	Trading USD	Others services USD	Total USD
<b>Assets</b>				
Segment assets	964,377,794	49,600,181	95,831,709	1,109,809,684
Unallocated assets	-	-	-	-
<b>Consolidated assets</b>				<b>1,109,809,684</b>
<b>Liabilities</b>				
Segment liabilities	410,321,069	36,651,593	70,244,857	517,217,519
Unallocated liabilities	-	-	-	-
<b>Consolidated liabilities</b>				<b>517,217,519</b>

**Consolidated income statement****For the year ended 31 December 2015**

	Drilling services USD	Trading USD	Others services USD	Total USD
Gross revenue	389,064,394	66,658,926	203,622,097	659,345,417
Net revenue	389,064,394	66,658,926	203,622,097	659,345,417
Cost of sales	298,102,968	62,131,549	153,441,206	513,675,723
Gross profit	90,961,426	4,527,377	50,180,891	145,669,694
Financial income	6,332,569	658,674	2,652,450	9,643,693
Financial expenses	20,544,532	1,359,172	2,167,269	24,070,973
Selling expenses	1,488,583	61,327	590,394	2,140,304
General and administration expenses	32,194,661	2,287,414	11,066,167	45,548,242
Operating profit	43,066,219	1,478,138	39,009,511	83,553,868
Other income	371,167	139,235	1,875,190	2,385,592
Other expenses	12,757	-	1,430,359	1,443,116
Profit from other activities	358,410	154,601	429,465	942,476
Accounting profit before tax	43,424,629	1,632,739	39,438,976	84,496,344
Income from investments in joint-ventures	-	-	-	11,988,229
Current corporate income tax expense				17,777,409
Deferred corporate tax income				(1,064,947)
<b>Net profit after corporate income tax</b>				<b>79,772,111</b>



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**Consolidated balance sheet**

**As at 31 December 2014**

	Drilling USD	Trading USD	Others services USD	Total USD
<b>Assets</b>				
Segment assets	917,857,437	64,166,217	114,877,432	1,096,901,086
Unallocated assets	-	-	-	-
<b>Consolidated assets</b>	-	-	-	<b>1,096,901,086</b>
<b>Liabilities</b>				
Segment liabilities	433,072,021	50,275,355	62,245,374	545,592,750
Unallocated liabilities	-	-	-	-
<b>Consolidated liabilities</b>	-	-	-	<b>545,592,750</b>

**Consolidated income statement**

**For the year ended 31 December 2014**

	Drilling services USD	Trading USD	Others services USD	Total USD
Gross revenue	589,616,012	79,439,150	318,430,238	987,485,400
Net revenue	589,616,012	79,439,150	318,430,238	987,485,400
Cost of sales	466,657,633	75,209,612	250,745,158	792,612,403
Gross profit	122,958,379	4,229,538	67,685,080	194,872,997
Financial income	2,665,994	947,595	4,012,608	7,626,197
Financial expenses	12,158,286	671,348	960,925	13,790,559
Selling expenses	1,534,461	70,000	1,194,790	2,799,251
General and administration expenses	39,731,675	1,899,532	11,459,831	53,091,038
Operating profit	72,199,952	2,536,253	58,082,143	132,818,346
Other income	2,279,552	90,459	3,510,841	5,880,852
Other expenses	173,831	117,861	2,295,216	2,586,908
Profit from other activities	2,105,721	(27,402)	1,215,625	3,293,944
Accounting profit before tax	74,305,673	2,508,851	59,297,768	136,112,290
Income from investments in joint-ventures	-	-	-	14,147,558
Current corporate income tax expense				30,539,173
Deferred corporate tax expense				(378,737)
<b>Net profit after corporate income tax</b>				<b>120,099,412</b>

**Geographical segments**

Currently, the Group is mainly operating in Vietnam (PVD Overseas, a subsidiary which is located in Singapore also supplies rental service of drilling rig in Vietnam's offshore). The unit which is operating overseas (Algeria Branch) with assets, revenue and operation result is immaterial (less than 10%) of total assets, revenue and operation result of the Group. Thus, the Board of Directors of the Group decided not to present the geographical segments.

**28. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED**

	2015 USD	2014 USD
Sales of trading	66,658,926	79,439,150
Sales of drilling services	389,064,394	589,616,012
Sales of technical and other services	203,622,097	318,430,238
	<b>659,345,417</b>	<b>987,485,400</b>

Sales transactions with related parties: see Note 39.

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**29. COST OF GOODS SOLD AND SERVICES RENDERED**

	2015	2014
	<u>USD</u>	<u>USD</u>
Cost of trading	62,131,549	75,209,612
Cost of drilling services	298,102,968	466,657,633
Cost of technical and other services	153,441,206	250,745,158
	<u><b>513,675,723</b></u>	<u><b>792,612,403</b></u>

Cost of sales transactions with related parties: see Note 39.

**30. COSTS BY NATURE**

	2015	2014
	<u>USD</u>	<u>USD</u>
Raw materials and consumables	93,864,497	125,566,130
Labour	136,823,493	184,439,614
Depreciation and amortization	63,628,991	50,504,053
Out-sourced services	247,375,540	419,436,905
Other expenses	19,671,748	68,555,990
	<u><b>561,364,269</b></u>	<u><b>848,502,692</b></u>

**31. FINANCIAL INCOME**

	2015	2014
	<u>USD</u>	<u>USD</u>
Interest income	4,729,172	4,696,978
Realized foreign exchange gain	4,914,521	2,929,219
	<u><b>9,643,693</b></u>	<u><b>7,626,197</b></u>

**32. FINANCIAL EXPENSES**

	2015	2014
	<u>USD</u>	<u>USD</u>
Interest expense	8,538,064	6,840,823
Unrealized foreign exchange loss	1,140,143	1,281,057
Realized foreign exchange loss	12,528,646	5,277,765
Loss on disposal long-term financial investments	-	636,482
Reversal of provision for impairment of long-term financial investments	-	(839,047)
Other financial expenses	1,864,120	593,479
	<u><b>24,070,973</b></u>	<u><b>13,790,559</b></u>

**33. GENERAL AND ADMINISTRATION EXPENSES**

	2015	2014
	<u>USD</u>	<u>USD</u>
Labour	18,580,586	18,653,823
Depreciation and amortization	1,552,045	1,634,603
Out-sourced services	8,054,650	8,987,919
Other expenses	17,360,961	23,814,693
	<u><b>45,548,242</b></u>	<u><b>53,091,038</b></u>

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**34. CORPORATE INCOME TAX EXPENSE**

	2015 USD	2014 USD
Profit before tax	96,484,573	150,259,848
<b>Adjustment for assessable income</b>		
Less: non-assessable income	(10,138,856)	(17,698,168)
Add: non-deductible expenses	3,321,947	3,734,553
<b>Taxable income</b>	<b>89,667,664</b>	<b>136,296,233</b>
Current corporate income tax	17,777,409	27,632,477
Adjustment from previous years	-	2,906,696
<b>Corporate income tax expense</b>	<b>17,777,409</b>	<b>30,539,173</b>

Applicable corporate income tax ("CIT") rate is 22% of taxable income of the Group, except for the incentives as follows:

- PVD Training is obliged to pay CIT at the rate of 10% of its assessable income from training over its operating period and 22% of its assessable income from other activities. PVD Training is entitled to CIT exemption for three years (from 2007 to 2009) and reduction of 50% for the following seven years (from 2010 to 2016) for its technical training activities.
- PVD Tech is obliged to pay CIT at the rate of 22% of its assessable income arising from incentives and other activities. PVD Tech is entitled to a CIT incentive for its project on Design, Manufacturing, Maintaining and Repairing Oil and Gas Structures and Equipment Workshop. PVD Tech is entitled to CIT exemption for three years (from 2007 to 2009) and a reduction of 50% for the following seven years. The first profit-making year was 2009.
- PVD Deepwater is obliged to pay CIT at the rate 10% for 15 years from assessable income of PV Drilling V (2011). PVD Deepwater is entitled to CIT exemption for four years from the first profit-making year (from 2012 to 2015) and a reduction of 50% for the following 9 years (from 2016 to 2024).

**35. BASIC EARNINGS PER SHARE**

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

	2015 USD	2014 (restated) USD
Profits attributable to the Company's shareholders	75,967,679	114,398,267
Appropriation to Bonus and welfare fund	(10,772,386)	(15,649,229)
Earnings for the purpose of calculating basic earnings per share	65,195,293	98,749,038
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	348,180,410	348,306,497
<b>Basic earnings per share</b>	<b>0.187</b>	<b>0.284</b>

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For purpose of presenting comparative figures to the consolidated financial statements for the year ended 31 December 2015, basic earnings per share for the year ended 31 December 2014 has been restated because the Group eliminated profit which is appropriated to Bonus and Welfare fund according to Circular 200 and 202, the Group issued 45,392,909 shares in 25 August 2015 to pay for 15% dividend of 2014 as follows:

	Earnings for the purposes of calculating basic earnings per share USD	Weighted average number of ordinary shares Shares	Diluted earnings per share USD
Previously reported amount	114,398,267	302,913,892	0.378
Adjusted the effect of eliminating profit which is appropriated to Bonus and Welfare fund and issuing shares for dividend distribution	(15,649,229)	45,392,909	
<b>Restated amounts</b>	<b>98,749,038</b>	<b>348,306,801</b>	<b>0.284</b>

**36. CONTINGENT LIABILITIES**

As at the date of these consolidated financial statements, the Group has not completed the tax finalization for its branch operation in Algeria in accordance with the local tax finalization procedures. 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 Board of Directors believe that no significant tax liabilities will incur upon the tax finalization of this branch and therefore no additional provision has been made.

**37. OPERATING LEASE COMMITMENTS****Lease commitments for office, warehouse and land:**

	2015 USD	2014 USD
Minimum lease payments under operating lease recognised in the consolidated income statement for the year	2,318,486	2,668,167

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

	31/12/2015 USD	31/12/2014 USD
Within one year	1,726,146	2,182,726
In the second to fifth year inclusive	1,720,339	2,189,930
After five years	1,560,569	1,608,806
	<b>5,007,054</b>	<b>5,981,462</b>

Operating lease commitments represent rental payable by the Group which related to the lease contracts of office, warehouse and land with the duration over one year.

**Lease commitments of drilling rigs for operating:**

For the operation purpose, the Group leases drilling rigs and rents out under the form of operating lease. Rental charge is computed based on day rate price and number of actual operation days of rigs.

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**38. FINANCIAL INSTRUMENTS**

**Capital risk management**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings disclosed in Note 19 and Note 22, offset by cash and cash equivalents) and equity attributable to shareholders of the Company (comprising owners' contributed capital, share premium, treasury shares, foreign exchange difference reserves, reserves and retained earnings).

*Gearing ratio*

The gearing ratio of the Group as at the balance sheet date was as follows:

	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
Borrowings	284,679,183	200,152,357
Less: Cash and cash equivalents	<u>155,744,738</u>	<u>151,002,271</u>
Net debt	128,934,445	49,150,086
Owners' equity	<u>592,592,165</u>	<u>551,308,336</u>
<b>Net debt to equity ratio</b>	<b><u>0.22</u></b>	<b><u>0.09</u></b>

**Significant accounting policies**

Details of the significant accounting policies and methods adopted by the Group (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 4.

**Categories of financial instruments**

	<b>Carrying amounts</b>	
	31/12/2015	31/12/2014
	<u>USD</u>	<u>USD</u>
<b>Financial assets</b>		
Cash and cash equivalents	155,744,738	151,002,271
Trade and other receivables	121,370,837	226,689,398
Held-to-maturity investments	39,637,617	561,862
Deposits	<u>1,033,511</u>	<u>1,210,275</u>
	<b><u>317,786,703</u></b>	<b><u>379,463,806</u></b>
<b>Financial liabilities</b>		
Loans	284,679,183	200,152,357
Trade and other payables	43,131,934	114,216,703
Accrued expenses	<u>24,199,194</u>	<u>65,059,629</u>
	<b><u>352,010,311</u></b>	<b><u>379,428,689</u></b>

The Group has not yet assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC dated 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

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**Financial risk management objectives**

Financial risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk. The Group has hedged these risks exposures by controlling and managing the cash flows (including foreign currencies cash flows) and closely tracking with market information to have proper hedging instruments.

**Market risk**

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

**Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. However, the Group manages to balance the cash inflow and outflow of foreign currencies by negotiating business contracts based on the demand foreign currencies payables to its receivables sources in order to minimize the foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2015 and 31 December 2014 are as follows:

	Liabilities		Assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	USD	USD	USD	USD
United States Dollar (USD)	134,616,403	169,649,176	77,970,375	66,478,833
(Subsidiaries)				
Vietnam Dong (VND)	18,954,610	15,435,056	68,257,994	197,242,376
(The Company)				
Algerian Dinar (DZD)	658,450	416,890	1,854,410	890,299
Singapore Dollar (SGD)	99,599	1,282,504	29,007	336,359
Euro (EUR)	46,168	248,827	26,483	66,191
Thai Bath (THB)	463	4,538	-	-
British Pound (GBP)	37,435	24,485	15,686	155,535
Australian Dollar (AUD)	-	4,058	-	2,460

**Foreign currency sensitivity analysis**

The Company is mainly exposed to Vietnam Dong and subsidiaries exposed to United States Dollar.

The rate of 3% (2014: 2%) is the sensitivity rate used when reporting foreign currency risk internally to the Board of Directors and represents the Board of Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the ended year for a 3% (2014: 2%) change in foreign currency rates. For a 3% (2014: 2%) increase/decrease in Vietnam Dong against United States Dollar, the Group's profit before tax in the year would change as follows:

	2015	2014
	USD	USD
Increase/decrease in the Company's profit	1,479,102	3,636,146
Decrease/increase in subsidiaries' profit	1,699,381	2,063,407
<b>(Decrease)/increase in consolidated profit</b>	<b>(220,279)</b>	<b>1,572,739</b>

Base on the similar analysis to other foreign currencies, there was no significant effect to business result of the Group.



**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 accompanying consolidated financial statements**Interest rate risk management*

The Group is exposed to interest rate risks arising mainly from interest bearing loans. The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate ratio between fixed and floating rate borrowings.

*Interest rate sensitivity*

The loan's sensitivity to interest rate changes was assessed by the Group that may arise at an appropriate level is fluctuation in floating interest bearing loan of higher/lower 30 basis points. Assuming all other variables were held constant and the loan balance at the balance sheet date were the outstanding amount for the next year, if interest rates applicable to floating interest bearing loans had been 30 basis points higher/lower, the Group's profit before tax would have decreased/increased by USD 875,165 (2014: USD 599,266).

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group has a credit policy in place and the exposure to credit risk is monitored on an on - going basis. The Group assess that there is no significant credit risk exposure to any counterparty because receivables are from huge customers operating in the oil and gas industry and trusted.

*Liquidity risk management*

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets, and undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, if any. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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31/12/2014	Less than 1 year USD	From 1- 5 years USD	Over 5 years USD	Total USD
<b>Financial assets</b>				
Cash and cash equivalents	151,002,271	-	-	151,002,271
Trade and other receivables	226,689,398	-	-	226,689,398
Held-to-maturity investments	561,862	-	-	561,862
Deposits	363,735	846,540	-	1,210,275
	<b>378,617,266</b>	<b>846,540</b>	<b>-</b>	<b>379,463,806</b>
<b>Financial liabilities</b>				
Loans and borrowings	54,440,073	132,179,463	13,532,821	200,152,357
Trade and other payables	114,216,703	-	-	114,216,703
Accrued expenses	65,059,629	-	-	65,059,629
	<b>233,716,405</b>	<b>132,179,463</b>	<b>13,532,821</b>	<b>379,428,689</b>
<b>Net liquidity gap</b>	<b>144,900,861</b>	<b>(131,332,923)</b>	<b>(13,532,821)</b>	<b>35,117</b>

**Relationship**  
Fellow companies have investments from Petrovietnam  
Joint ventures  
Fellow companies have investments from Petrovietnam



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

	2015 USD	2014 USD
<b>Sales</b>		
Petrovietnam's subsidiaries	40,912,559	110,071,183
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	527,656,328	465,008,468
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>Bien Dong Joint Operating Company</i>	108,366,984	109,007,699
<i>The Company's joint ventures</i>	10,486,226	29,089,415
<b>Purchases</b>		
Petrovietnam's subsidiaries	13,489,432	9,004,794
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	6,504,290	10,076,471
The Company's joint ventures	10,852,243	20,744,526
<i>PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited</i>	3,072,275	6,176,911
<i>PV Drilling Expro International Company Limited</i>	6,623,749	12,824,630

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

	31/12/2015 USD	31/12/2014 USD
<b>Receivables</b>		
Petrovietnam's subsidiaries	3,569,672	2,314,630
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	98,198,593	117,835,164
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>Bien Dong Joint Operating Company</i>	23,786,424	27,579,318
<i>The Company's joint ventures</i>	3,812,479	5,114,179
<b>Payables</b>		
Petrovietnam's subsidiaries	10,943,873	22,845,506
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>Petrovietnam</i>	19,883,851	21,715,684
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	4,204,616	8,303,292
The Company's joint ventures	3,284,672	8,622,647
<i>PV Drilling Expro International Company Limited</i>	2,567,506	6,944,317

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

	2015	2014
	<u>USD</u>	<u>USD</u>
Salaries	263,989	258,460
Bonuses	130,278	72,185
Benefits in kind	19,821	14,894
	<u><b>414,088</b></u>	<u><b>345,539</b></u>

**40. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION****Supplemental non-cash disclosures:**

Cash outflows for acquisition of fixed assets during the year excluded an amount of USD 566,220 (2014: USD 1,180,872), representing additions of fixed assets during the year that have not yet been paid. Consequently, changes in accounts payables have been adjusted by the same amount.

Interest income, dividends and profits received during the year excluded an amount of USD 480,203 (2014: USD 3,351,062), representing interest income, dividends and profits declared during the year to be received. Consequently, changes in accounts receivables have been adjusted by the same amount.

Cash paid for interest expense does not include the amount of USD 1,345,566 (2014: USD 1,484,357), representing interest expense has to paid in year. Consequently, changes in accounts payables have been adjusted by the same amount.

Cash received from the contribution of owner does not include the amount of USD 20,535,132 was paid 2015 dividends paid to shareholders by issuing shares (2014: USD 12,980,516). This transaction does not affect cash flow therefore it is not presented in the consolidated cash flow statement.



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**41. COMPARATIVE FIGURES**

Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation according to regulations of the Circular 200 and Circular 202. Details are as follows:

Consolidated Balance Sheet as at 31 December 2014	Code	Circular 15/2006/QĐ- BTC USD	Reclassifying amount USD	Circular 200/2014/TT- BTC USD
1. Other short-term receivables	136	4,597,373	1,173,857	5,771,230
2. Deficits in assets awaiting solution	139	-	11,793	11,793
3. Other short-term assets	155	1,185,650	(1,185,650)	-
4. Other long-term receivables	216	-	846,540	846,540
5. Other long-term assets	268	846,540	(846,540)	-
6. Short-term accrued expenses	315	85,798,752	(20,739,123)	65,059,629
7. Short-term provisions	321	4,876,309	10,380,543	15,256,852
8. Long-term provisions	342	-	7,334,895	10,358,580
9. Investment and Development fund	418	48,759,516	19,568,764	68,328,280
10. Financial Reserve fund	418	19,568,764	(19,568,764)	-

Consolidated cash flow statement as at 31 December 2014	Code	Circular 15/2006/QĐ- BTC USD	Reclassifying amount USD	Circular 200/2014/TT- BTC USD
1. Provisions	03	1,830,441	4,723,580	6,554,021
2. Other adjustments	07	-	7,861,928	7,861,928
3. Decrease/(increase) in payables	11	49,246,859	(12,509,210)	36,737,649
4. Other cash outflows	17	(13,188,994)	(76,298)	(13,265,292)

**42. APPROVAL FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2015 were approved by the Group's Board of Management for issuance on 25 March 2016.



President

25 March 2016

Ho Ngoc Yen Phuong  
Vice President

Doan Dac Tung  
Chief Accountant

Tran Kim Hoang  
Preparer