

**PETROVIETNAM DRILLING AND WELL SERVICES  
CORPORATION**

*(Incorporated in Socialist Republic of Vietnam)*

**AUDITED SEPARATE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

**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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**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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**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 Company's separate financial statements for the year ended 31 December 2018.

**THE BOARDS OF MANAGEMENT AND DIRECTORS**

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

**Board of Management**

Mr. Do Van Khanh	Chairman (resigned on 31 December 2018)
Mr. Do Duc Chien	Vice Chairman cum Person in charge of Board of Management
Mr. Pham Tien Dung	Member
Ms. Nguyen Thi Thuy	Member
Mr. Le Van Be	Member
Ms. Dao Van Minh	Member (appointed on 27 April 2018)
Mr. Van Duc Tong	Member (appointed on 27 April 2018)
Ms. Ho Ngoc Yen Phuong	Member (resigned on 27 April 2018)
Ms. Pham Thi An Binh	Member (resigned on 27 April 2018)

**Board of Directors**

Mr. Pham Tien Dung	President
Mr. Tran Van Hoat	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
Mr. Do Danh Rang	Vice President

**THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Board of Directors of the Company is responsible for preparing the separate financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2018 and of its separate financial performance and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these separate 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 separate financial statements;
- prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the separate financial statements so as to minimize errors and frauds.

**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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**STATEMENT OF THE BOARD OF DIRECTORS (Continued)**

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the separate financial position of the Company and that the separate 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 Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Directors,



**Pham Tien Dung**  
President  
29 March 2019



No.:

695

/VNIA-HC-BC

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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 separate financial statements of Petrovietnam Drilling and Well Services Corporation (the "Company") prepared on 29 March 2019 as set out from page 4 to page 34, which comprise the balance sheet as at 31 December 2018, the statement of Income, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***The Board of Directors' Responsibility***

The Board of Directors is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the separate 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 Company'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 separate 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 separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

### ***Emphasis of Matter***

We draw readers' attention Note 3 and 10 of the Notes to the separate financial statements about the change in useful lives of the drillings. Our opinion is not modified in respect of this matter.



Le Dinh Tu

**Audit Partner**

Audit Practising Registration Certificate

No. 0488-2018-001-1

**BRANCH OF DELOITTE VIETNAM**

**COMPANY LIMITED**

29 March 2019

Ho Chi Minh City, S.R. Vietnam

Nguyen Thi Thu Sang

**Auditor**

Audit Practising Registration Certificate

No. 1144-2018-001-1

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION****FORM B 01-DN**4th Floor, Sailing Tower, 111A Pasteur Street  
District 1, Ho Chi Minh City, S.R. VietnamIssued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance**BALANCE SHEET**  
As at 31 December 2018

Unit: USD

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>179,075,692</b>	<b>204,202,912</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>70,803,187</b>	<b>34,466,214</b>
1. Cash	111		70,587,251	34,245,610
2. Cash equivalents	112		215,936	220,604
<b>II. Short-term financial investments</b>	<b>120</b>		<b>38,975,420</b>	<b>92,049,676</b>
1. Held-to-maturity investments	123	5	38,975,420	92,049,676
<b>III. Short-term receivables</b>	<b>130</b>		<b>52,339,036</b>	<b>61,160,899</b>
1. Short-term trade receivables	131	6	47,404,334	60,045,063
2. Short-term advances to suppliers	132		574,559	324,473
3. Other short-term receivables	136	7	11,092,665	12,121,158
4. Provision for short-term doubtful debts	137	6	(6,732,522)	(11,329,795)
<b>IV. Inventories</b>	<b>140</b>	<b>8</b>	<b>16,680,582</b>	<b>16,074,059</b>
1. Inventories	141		19,553,147	18,525,154
2. Provision for devaluation of inventories	149		(2,872,565)	(2,451,095)
<b>V. Other short-term assets</b>	<b>150</b>		<b>277,467</b>	<b>452,064</b>
1. Short-term prepayments	151		253,366	430,463
2. Value added tax deductibles	152		24,101	21,601
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>439,341,605</b>	<b>459,799,512</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>412,210</b>	<b>603,551</b>
1. Other long-term receivables	216	9	412,210	603,551
<b>II. Fixed assets</b>	<b>220</b>		<b>304,488,325</b>	<b>321,830,570</b>
1. Tangible fixed assets	221	10	299,249,149	316,435,141
- Cost	222		559,492,632	558,710,262
- Accumulated depreciation	223		(260,243,483)	(242,275,121)
2. Intangible assets	227	11	5,239,176	5,395,429
- Cost	228		9,578,406	9,391,642
- Accumulated amortisation	229		(4,339,230)	(3,996,213)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>433,931</b>	<b>703,582</b>
1. Long-term construction in progress	242	12	433,931	703,582
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>133,210,617</b>	<b>135,988,839</b>
1. Investments in subsidiaries	251	13	120,294,164	120,294,164
2. Investments in joint-ventures, associates	252	14	18,026,446	18,026,446
3. Provision for impairment of long-term financial investments	254	15	(8,739,287)	(2,331,771)
4. Held-to-maturity investments	255	5	3,629,294	-
<b>V. Other long-term assets</b>	<b>260</b>		<b>796,522</b>	<b>672,970</b>
1. Long-term prepayments	261		138,244	24,866
2. Deferred tax assets	262	16	658,278	648,104
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>618,417,297</b>	<b>664,002,424</b>

The accompanying notes are an integral part of these separate financial statements

**BALANCE SHEET (Continued)**  
 As at 31 December 2018

Unit: USD

	Codes	Notes	Closing balance	Opening balance
<b>RESOURCES</b>				
<b>C. LIABILITIES</b>				
	<b>300</b>		<b>52,794,706</b>	<b>99,377,378</b>
<b>I. Current liabilities</b>				
1. Short-term trade payables	311	17	47,366,189	78,650,679
2. Taxes and amounts payable to the State budget	313	18	31,268,432	35,893,801
3. Payables to employees	314		2,354,319	5,993,826
4. Short-term accrued expenses	315	19	2,061,148	3,257,790
5. Other current payables	319	20	6,124,359	6,840,711
6. Short-term loans	320		1,198,923	1,046,133
7. Short-term provisions	321	21	-	17,200,000
8. Bonus and welfare funds	322		2,082,891	5,691,395
			2,276,117	2,727,023
<b>II. Long-term liabilities</b>				
1. Long-term loans	330		5,428,517	20,726,699
2. Long-term provisions	338		338	7,588,277
3. Scientific and technological development fund	342	22	4,525,583	4,958,844
	343	23	902,934	8,179,578
<b>D. EQUITY</b>				
	<b>400</b>		<b>565,622,591</b>	<b>564,625,046</b>
<b>I. Owner's equity</b>				
1. Owner's contributed capital	410	24	565,622,591	564,625,046
	411		196,947,181	196,947,181
- Ordinary shares carrying voting rights	411a		196,947,181	196,947,181
2. Share premium	412		126,770,844	126,770,844
3. Treasury shares	415		(966,501)	(966,501)
4. Foreign exchange reserve	417		(3,208,154)	(2,675,283)
5. Investment and development fund	418		59,536,858	59,536,858
6. Retained earnings	421		186,542,363	185,011,947
- Retained earnings accumulated to the prior year end	421a		185,011,947	180,286,607
- Retained earnings of the current year	421b		1,530,416	4,725,340
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>618,417,297</b>	<b>664,002,424</b>



Pham Tien Dung  
 President

Doan Dac Tung  
 Chief Accountant

Tran Kim Hoang  
 Preparer

**INCOME STATEMENT**  
 For the year ended 31 December 2018

Unit: USD

ITEMS	Codes	Notes	Current year	Prior year
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>		<b>126,399,054</b>	<b>112,439,762</b>
<b>2. Net revenue from goods sold and services rendered (10=01)</b>	<b>10</b>	<b>26</b>	<b>126,399,054</b>	<b>112,439,762</b>
3. Cost of sales	11	27	127,944,193	120,214,237
<b>4. Gross losses from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>(1,545,139)</b>	<b>(7,774,475)</b>
5. Financial income	21	29	14,656,348	13,944,337
6. Financial expenses	22	30	8,772,519	3,216,351
- In which: Interest expense	23		22,259	358,924
7. Selling expenses	25	31	312,601	538,639
8. General and administration expenses	26		5,516,628	17,375,057
<b>9. Operating losses (30=20+(21-22)-(25+26))</b>	<b>30</b>	<b>32</b>	<b>(1,490,539)</b>	<b>(14,960,185)</b>
10. Other income	31		4,562,295	26,379,330
11. Other expenses	32		67,236	437,323
<b>12. Profit from other activities (40=31-32)</b>	<b>40</b>		<b>4,495,059</b>	<b>25,942,007</b>
<b>13. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>3,004,520</b>	<b>10,981,822</b>
14. Current corporate income tax expense	51	33	987,549	6,175,763
15. Deferred corporate tax (income)/expense	52	16	(10,174)	80,719
<b>16. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>2,027,145</b>	<b>4,725,340</b>



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**Pham Tien Dung**  
 President  
 29 March 2019

**Doan Dac Tung**  
 Chief Accountant

**Tran Kim Hoang**  
 Preparer

**PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION**

**FORM B 09-DN**

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

Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

**Structure of ownership**

Petrovietnam Drilling and Well Services Corporation (the "Company") is a joint stock company established in Vietnam in accordance with the Business Registration Certificate No. 4103004335 dated 15 February 2006 and the 12<sup>th</sup> amendment dated 20 December 2016 issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City, Business code No. 0302495126. The Company has established from the equitization of Petrovietnam Drilling and Well Services Company, a wholly-owned subsidiary of Vietnam Oil and Gas Group ("Petrovietnam").

The Company consists of two divisions and four 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. The Division manages and operates 03 offshore drilling rigs: PV Drilling I, PVD Drilling II and PV Drilling III.
- PVD Drilling Investment Division ("PVD Invest") was established in accordance with the Decision No. 06/12/QĐ-HDQT 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-HDQT dated 2 March 2006 issued by the Board of Management and Establishment Certificate No. 04/STM-TT.TNHN dated 23 March 2006 issued by the 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. Algeria Branch is directly controlled and managed by the Drilling Division. The Branch manages and operates 01 land drilling rig: PV Drilling 11.
- Myanmar Branch was established in accordance with Decision No. 01/03/2015/QĐ-HDQT dated 4 March 2015 issued by the Board of Management and Establishment Certificate No. 594/CNDK-SCT dated 18 June 2015 issued by the Industry and Trade Department of Ho Chi Minh City. The Myanmar Branch's registered office is located at 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.
- Thailand Branch was established in accordance with Decision No. 03/03/2017/QĐ-HDQT dated 27 March 2017 issued by the Board of Management and Establishment Certificate No. 678/CNDK-SCT dated 13 April 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 7th Floor, Shinawatra Tower III Building, 1010 Vibhavadi Rangsit Rd., Chatuchak, Bangkok, Thailand.
- Malaysia Branch was established in accordance with Decision No. 01/8/2017/NQ-HDQT dated 17 October 2017 issued by the Board of Management and Establishment Certificate No. 1461/CNDK-SCT dated 25 September 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 35J-2-9, KLSC Jalan Wangsa Delima 5, Wangsa Maju, 53300 Kuala Lumpur, Malaysia.

The number of employees of the Company as at 31 December 2018 was 413 (as at 31 December 2017 was: 406).

**Principal activities**

The Company is principally engaged in providing drilling services, well services, wire line logging, oil spill control service, drilling rig, materials, equipment, manpower supply for drilling rigs, investment and project management consulting service, management consulting service, and other related services in the oil and gas industry.

**Normal production and business cycle**

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

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

According to the Resolution No. 01/08/2018/NQ-HDQT dated 6 August 2018, the Board of Management has approved the restructuring plans of BJ Services-PV Drilling Joint Venture Company Limited (BJ-PVD Joint Venture) and PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited (PVD-Baker Hughes Joint Venture): BJ-PVD Joint Venture would be dissolved upon expiry of the joint venture contract and PVD-Baker Hughes Joint Venture's business lines was amended to include BJ-PVD Joint Venture's current business lines.

According to the Resolution No. 05/12/2018/NQ-HDQT dated 28 December 2018, the Board of Management has approved the business plan of "Purchase of Devices from BJ-PVD Joint Venture," and approved amended joint venture charter, PVD-Baker Hughes Joint Venture contract and the implementation plans for such amendments since 1 November 2018.

**The Company's structure**

The Company has 7 subsidiaries. List of subsidiaries: see Note 13.

The Company has 4 joint ventures. List of joint ventures: see Note 14.

As at the date of the separate financial statement, the Company is reviewing restructuring plans for the entities within the Group.

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

Comparative figures are the figures of the audited separate financial statements for the year ended 31 December 2017.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The accompanying separate 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 expression of financial statements in USD is registered and approved by the Ministry of Finance in Letter No. 8036/BTC-CDKT dated 21 June 2010 and changing currency unit from Vietnam Dong to USD since 01 January 2010. The Company's Board of Directors believe that the presentation of the separate financial statements of the Company in USD is necessary to reflect the economic nature of the Company's business transactions.

The accompanying separate financial statements are prepared solely to present the separate financial position of the Company as at 31 December 2018 and the separate results of its operations and its separate cash flows for the year ended 31 December 2018 including the Drilling Division, PVD Drilling Investment Division, Algeria Branch, Myanmar Branch, Thailand Branch and Malaysia Branch. The Company does not consolidate financial statements of subsidiaries and joint ventures in these separate financial statements. Accounting policies for the Company's investments are detailed in Note 3.

The accompanying separate 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 Company's financial year begins on 1 January and ends on 31 December.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Accounting estimates**

The preparation of separate 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 separate 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 from those estimates.

**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 Company comprise cash, cash equivalents, held-to-maturity investments, trade and other receivables.

*Financial liabilities:* At the date of initial recognition, financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise 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.

**Held-to-maturity investments**

Held-to-maturity investments comprise investments that the Company has the positive intent or ability to hold 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 separate 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 in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase price of inventory and where applicable, purchasing costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less 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 realisable values as at the balance sheet date.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and trial run costs.

Drilling rigs (machinery and equipment) are depreciated over drilling rigs' operating hours.

	Current year	Prior year
	Years	Years
PV Drilling I	20	20
PV Drilling II (*)	35	20
PV Drilling III (*)	35	20
PV Drilling 11	10	10

(\*) From 1 January 2018, the Board of Directors changed the useful lives of the rig PV Drilling II and III from 20 years to 35 years. The Board of Directors believes that the increase in the useful lives of PV Drilling II and III shall reflect more appropriately the usage of drilling rigs. The effect of the change in the useful lives of the above drilling rigs is presented in Note 10.

Other 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 equipments - Others	5 - 10
Office equipments	3 - 5
Motor vehicles	7 - 12
Other assets	3 - 7

Gains and losses arising upon liquidation, sale of assets are the difference between income from disposal and the carrying value of the assets and are recognized in the separate income statement.

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

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

**Intangible assets and amortization**

Intangible assets represent land use rights and computer software. The total amount is stated at cost less accumulated amortization. Land use rights with indefinite time are not amortized. Land use rights with definite time are amortized on a straight-line basis over term of land use rights as 50 years. Computer software is amortized using the straight-line method over their estimated useful lives as five years.

**Construction in progress**

Properties in the course of purchasing for production, rental, administrative purposes, or for the purposes not yet determined, are carried at cost. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



**Long-term financial investments**

Long-term financial investments represent investments in subsidiaries and joint ventures.

A subsidiary is an entity over which the Company has control. Control is achieved where the Company has the power to govern the financial and operating policies of the investee enterprises so as to obtain benefits from its activities.

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e, the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

Interests in subsidiaries, joint ventures and associates are initially recognized at cost and directly attributed cost. The Company's share of the net profit of the investee after acquisition is recognized in the separate income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiaries, joint ventures and associates are stated in the separate balance sheet at cost less provision for impairment of such investments (if any). Provision for impairment of long-term financial investments is made in accordance with current prevailing accounting regulations.

**Prepayments**

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

**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.

**Provisions**

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

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 accordance with technical requirements of the Company's drilling rigs. In the accounting year that incurs overhaul cost of fixed assets, if actual cost is higher than estimated amount or vice versa, the different amount is recorded in the consolidated income statement of that accounting year.

**Revenue recognition**

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

- (a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Company 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 Company; 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 recognized in each year by reference to the percentage of completion of the transaction at the 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 Company;
- (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 recorded on accrual basis, by reference to the principal outstanding and at the applicable interest rate.

Dividends income is recognized when the Company'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 Company 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 separate financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the separate income statement.

**Foreign currencies**

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the separate income statement.

In preparation of the separate financial statements, the assets and liabilities of the overseas branches are translated into reporting currency using exchange rates prevailing on the balance sheet date. Income and expenses are translated using average exchange rates for the year, and using the exchange rates at the transaction dates unless exchange rates fluctuate significantly during that year. Exchange differences arising, if any, are accounted for in "Foreign exchange reserve" under the Equity section. Such differences will then be charged to the separate income statement once the foreign operations and branches are disposed.

**Borrowing costs**

Borrowing costs are recognized in the separate income statement in the year when incurred, unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs".

**Taxation**

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

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the separate financial statements. 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.

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

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

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

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

**4. CASH AND CASH EQUIVALENTS**

	Closing balance USD	Opening balance USD
Cash on hand	62,890	87,212
Bank demand deposits	70,524,361	34,158,398
Cash equivalents	215,936	220,604
	<b>70,803,187</b>	<b>34,466,214</b>

Cash equivalents represent time deposits in commercial banks with the term of three months or less.

**5. HELD-TO MATURITY INVESTMENTS**

	Closing balance USD	Opening balance USD
a. Current		
- Time deposits	<u>38,975,420</u>	<u>38,975,420</u>
	92,049,676	92,049,676
b. Non-current		
- Time deposits	<u>3,629,294</u>	<u>3,629,294</u>
	-	-

Held-to maturity investments as at 31 December 2018 represent time deposits at commercial banks with maturities over 3 months, bearing changeable interest rates noticed by banks at regular intervals.

In respectively with some of the above time deposit contracts, the Company has entered into some Cross Currency Swap contracts with commercial banks to swap for USD 21,781,000 which was equivalent to VND 522,173,178,350 (as at 31 December 2017: USD 57,860,500, which was equivalent to VND 1,350,365,320,735).

**6. SHORT-TERM TRADE RECEIVABLES**

	Closing balance USD	Opening balance USD
<b>Short-term trade receivables</b>		
Vietsovpetro Joint Ventures	11,978,775	5,809,134
Petrovietnam Exploration Production Corporation	7,063,492	6,520,524
MKN ODYSSEY Ventures SDN.BHD	7,474,516	5,768,081
PVD Deepwater	4,111,226	4,752,566
Others	16,776,325	37,194,758
	<b>47,404,334</b>	<b>60,045,063</b>
<b>In which</b>		
<b>Receivables from related parties</b>	34,008,245	40,457,285
(Details stated in Note 37)	<b>34,008,245</b>	<b>40,457,285</b>

	Closing balance USD	Opening balance USD
	Overdue more than 6 months (Cost)	Overdue more than 6 months (Cost)
	Provision	Provision
Petrovietnam Exploration	6,527,948	(4,561,818)
Production Corporation	-	6,520,524
Petrovietnam Domestic	-	(3,260,262)
Exploration Production	3,290,841	(2,165,880)
Operating Company Limited	16,078	(4,824)
Others	<u>9,834,867</u>	<u>(6,732,522)</u>
	<u>23,191,505</u>	<u>(11,329,795)</u>

**7. OTHER SHORT-TERM RECEIVABLES**

	Closing balance USD	Opening balance USD
Inter-company receivables from subsidiaries	5,014,475	7,871,253
Deposits	2,836,530	124,722
Dividend	1,866,743	-
Interest income receivables	611,803	3,624,108
Receivable from employees	50,814	56,161
Other receivables	712,300	444,914
	<u>11,092,665</u>	<u>12,121,158</u>

**In which  
Receivables from related parties**  
(Details stated in Note 37)

6,881,218	7,871,253
<u>6,881,218</u>	<u>7,871,253</u>

**8. INVENTORIES**

	Closing balance USD	Opening balance USD
	Cost	Cost
	Provision	Provision
Goods in transit	628,657	-
Raw materials	18,827,160	18,509,791
Tools and supplies	97,330	15,363
	<u>19,553,147</u>	<u>18,525,154</u>
	<u>(2,872,565)</u>	<u>(2,451,095)</u>

During the year ended 31 December 2018, the Company provided provision for devaluation of inventories of USD 421,470 (for the year ended 31 December 2017: the Company reversed provision for devaluation of inventories of USD 679,060).

**9. OTHER LONG-TERM RECEIVABLES**

	Closing balance USD	Opening balance USD
Deposits	412,210	603,551

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**10. TANGIBLE FIXED ASSETS**

	Buildings and structures		Machinery and equipment		Office equipment		Motor vehicles		Others		Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>COST</b>												
Opening balance	11,792,173	542,280,929	2,396,823	2,189,573	50,764	558,710,262						
Additions	112,980	1,093,989	64,043	-	-	1,271,012						
Other Increases	-	-	46,285	20,575	-	66,860						
Disposals	-	(42,798)	(10,879)	-	-	(53,677)						
Foreign exchange differences	(25,973)	(475,475)	(232)	(145)	-	(501,825)						
Closing balance	11,879,180	542,856,645	2,496,040	2,210,003	50,764	559,492,632						

**ACCUMULATED DEPRECIATION**

Opening balance	3,388,408	234,668,769	2,004,000	2,163,180	50,764	242,275,121						
Charge for the year	308,376	17,048,560	119,656	26,393	-	17,502,985						
Other Increases	-	-	46,285	20,575	-	66,860						
Disposals	-	(42,798)	(9,874)	-	-	(52,672)						
Reclassification	-	(11,428)	-	-	-	(11,428)						
Foreign exchange differences	(25,059)	488,054	(233)	(145)	-	462,617						
Closing balance	3,671,725	252,151,157	2,159,834	2,210,003	50,764	260,243,483						

**NET BOOK VALUE**

<b>Opening balance</b>	<b>8,403,765</b>	<b>307,612,160</b>	<b>392,823</b>	<b>26,393</b>	<b>-</b>	<b>316,435,141</b>						
<b>Closing balance</b>	<b>8,207,455</b>	<b>290,705,488</b>	<b>336,206</b>	<b>-</b>	<b>-</b>	<b>299,249,149</b>						

As stated in Note 3, from 1 January 2018, the Board of Directors changed the useful lives of PV Drilling II and III from 20 years to 35 years. The Board of Directors believes that the increase in the useful lives of drilling rigs II and III shall reflect more appropriately the usage of drilling rigs. Depreciation expense of PV Drilling II and III rig for the year ended 31 December 2018 under the new useful lives is USD 9,633,676 (Depreciation expense of PV Drilling II and III for the year ended 31 December 2018 under the old useful lives is USD 16,858,932).

Foreign exchange differences resulted from the translation of Algeria Branch's financial statements from the historical cost of assets, which is Algerian Dinar ("DZD"), into USD.

As at 31 December 2018, the cost of the Company's tangible fixed assets which have been fully depreciated but are still in use is USD 16,003,011 (as at 31 December 2017: USD 8,527,959).

**11. INTANGIBLE ASSETS**

	Land use rights		Computer software		Total	
	USD	USD	USD	USD	USD	USD
<b>COST</b>						
Opening balance	6,121,918	3,269,724	9,391,642			
Additions	-	187,087	187,087			
Foreign exchange differences	-	(323)	(323)			
Closing balance	6,121,918	3,456,488	9,578,406			
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	1,011,643	2,984,570	3,996,213			
Charge for the year	103,926	225,275	329,201			
Reclassification	-	11,428	11,428			
Foreign exchange differences	-	2,388	2,388			
Closing balance	1,115,569	3,223,661	4,339,230			
<b>NET BOOK VALUE</b>						
<b>Opening balance</b>	<b>5,110,275</b>	<b>285,154</b>	<b>5,395,429</b>			
<b>Closing balance</b>	<b>5,006,349</b>	<b>232,827</b>	<b>5,239,176</b>			

Foreign exchange differences resulted from the translation of Algeria Branch's financial statements from historical cost of assets, which is DZD into USD.

As at 31 December 2018, the cost of the Company's intangible fixed assets which have been fully amortised but are still in use is USD 2,970,929 (as at 31 December 2017: USD 2,055,553).

**12. LONG-TERM CONSTRUCTION IN PROGRESS**

	Closing balance	Opening balance
	USD	USD
ERP Project - Phase 3	401,985	401,985
Construction of other assets in progress	31,946	301,597
	<b>433,931</b>	<b>703,582</b>

**13. INVESTMENTS IN SUBSIDIARIES**

Details of the Company's subsidiaries are as follows:

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 Department of Planning and Investment 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 is principally engaged in providing repair, inspection and maintenance of equipment and facilities of oil and gas industry; drilling manpower supply service, oil and gas exploitation for domestic and foreign contractor operations; consultant of environmental impact assessment, the rescue plan for oil spills and facilities and activities that have a risk of oil spills.

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 Department of Planning and Investment 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 is principally engaged in providing tubular services, drilling equipment rental services, well drilling technical services, supplying specialized tool and equipments 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 Department of Planning and Investment 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 is principally engaged in providing oil and gas wells geophysical survey service, oil and gas wells testing, reservoir testing, cementing pumps and supply of manpower, tool and equipments 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 Department of Planning and Investment 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 is principally engaged in providing materials and equipments for the oil and gas industry and other industries, implementation installation services, inspection, repair, and maintenance 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 Department of Planning and Investment 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 is principally engaged in providing training, introduction and supply of manpower in the oil and gas industry in domestic and overseas markets; house, office and warehouse leasing.

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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 Department of Planning and Investment 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 is principally engaged in providing supporting services in crude oil and natural gas exploitation; supply of deepwater rigs in exploration and exploitation of oil and gas; supply of materials and equipment, machinery for supporting of oil and gas researching, exploring and exploiting; industry and other related industries; research and natural and technical sciences experimental development of natural and technical sciences; technological consultancy in the field of oil and gas. PVD Deepwater manages and operates 01 semi-submersible drilling rig: PV Drilling V.

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 04 April 2013. PVD Overseas's registered office is located at No. 9 Temasek Boulevard, #31\_00 Suntec Tower 2, Singapore. PVD Overseas is principally engaged in providing investment, drilling rental, supplying drilling service and the services related to exploration and exploitation of oil and gas. PVD Overseas manages and operates 01 offshore drilling rig: PV Drilling VI.

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Detailed information about capital contribution status and investment value in subsidiaries of the Company as at 31 December 2018 and 31 December 2017 is as follows:

Name of subsidiaries	Closing balance				Opening balance			
	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	97	VND 200,000,000,000	VND 200,000,000,000	10,038,600	97	VND 200,000,000,000	VND 200,000,000,000	10,038,600
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	82	USD 41,961,000	USD 66,698,050	54,400,000	82	USD 41,961,000	USD 66,698,050	54,400,000
				<b>120,294,164</b>				<b>120,294,164</b>

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

The significant transactions between the Company and its subsidiaries: see Note 37.



14. INVESTMENTS IN JOINT VENTURES

Details of the Company'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 is 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 amount of 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. 4110220000556 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, 11A Pasteur Street, District 1, Ho Chi Minh City, S.R. Vietnam. PVD-Baker Hughes is principally engaged in providing directional surveying drilling services, measurement while drilling services, coring sample services, geophysical well survey services, cashead hanging over services, sticking rescue services, artificial reservoir pressure, intelligent well completion services and other mine exploitation technology services. The total charter capital of PVD-Baker Hughes is USD 20 million, equivalent to VND 370,880,000,000, in which the Company 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 is principally engaged in providing products of drilling tube, casing, tubing operators and management service for casing package for all oil and gas companies which operating in exploration and exploitation on shore, offshore and deep water regions in Vietnam. The total charter capital of PVD Tubulars is VND 57,995 million, equivalent to USD 3.5 million. The Company holds 51% of its ownership.

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 amendment. Vietubes registered office is located at Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria - Vung Tau Province, S.R. Vietnam. Vietubes is 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. In the year ended 31 December 2015, the Company has implemented necessary procedures to take over investment in Vietubes from PVD Tech. Consequently, the Company holds 51% of its ownership.

	Closing balance	Opening balance
	USD	USD
BJ-PVD	2,399,255	2,399,255
PVD Baker Hughes	10,200,000	10,200,000
PVD Tubulars	1,450,655	1,450,655
Vietubes	3,976,536	3,976,536
	<b>18,026,446</b>	<b>18,026,446</b>

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.

As stated in Note 1, the Board of Management has approved the restructuring plans of BJ Services-PV Drilling Joint Venture Company Limited (BJ-PVD Joint Venture) and PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited (PVD-Baker Hughes Joint Venture): BJ-PVD Joint Venture would be dissolved upon expiry of the joint venture contract and PVD-Baker Hughes Joint Venture's business lines was amended to include BJ-PVD Joint Venture's current business lines. Therefore, the financial statements of BJ-PVD Joint Venture were prepared on the liquidation basis.

The significant transactions between the Company and its joint ventures: See Note 37.

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15. PROVISION FOR IMPAIRMENT OF LONG-TERM FINANCIAL INVESTMENTS

	Closing balance USD	Opening balance USD
PVD Overseas	8,486,126	2,303,263
PVD Tubulars	253,161	-
B3-PVD	-	28,508
	<u>8,739,287</u>	<u>2,331,771</u>

16. DEFERRED TAX ASSETS

	Provisions USD
Opening balance	648,104
Charged in the year	10,174
	<u>658,278</u>

Deferred tax assets as at 31 December 2018 are derived from the temporary differences, which are provision for devaluation of inventories and severance allowance.

17. SHORT-TERM TRADE PAYABLES

	Amount	Amount able to be paid off	Closing balance USD	Amount	Amount able to be paid off	Opening balance USD
<b>Short-term trade payables</b>						
PVD Overseas	12,546,320	12,546,320	15,054,770	15,054,770	15,054,770	15,054,770
PVD Offshore	3,041,922	3,041,922	5,082,853	5,082,853	5,082,853	5,082,853
Other suppliers	15,680,190	15,680,190	15,756,178	15,756,178	15,756,178	15,756,178
	<u>31,268,432</u>	<u>31,268,432</u>	<u>35,893,801</u>	<u>35,893,801</u>	<u>35,893,801</u>	<u>35,893,801</u>
<b>In which</b>						
<b>Trade payables to related parties</b>						
(Details stated in Note 37)	<u>20,378,204</u>	<u>20,378,204</u>	<u>25,849,883</u>	<u>25,849,883</u>	<u>25,849,883</u>	<u>25,849,883</u>

18. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

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

	Opening balance USD	Payable during the year USD	Paid during the year USD	Closing balance USD
Value added tax	396,304	3,438,778	3,400,373	434,709
Import and export duties	-	266,077	266,077	-
Corporate Income tax	4,580,289	987,549	4,580,289	987,549
Personal Income tax	364,316	6,263,250	6,207,237	420,329
License tax	-	220	220	-
Others	652,917	2,620,661	2,761,846	511,732
	<u>5,993,826</u>	<u>13,576,535</u>	<u>17,216,042</u>	<u>2,354,319</u>

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**19. SHORT-TERM ACCRUED EXPENSES**

	<u>Closing balance</u>	<u>Opening balance</u>
	USD	USD
Accrued expenses for the operation of drilling rigs	4,234,131	3,970,143
Accrued expense for providing goods and services	1,498,314	1,502,668
Accrued interest expenses	-	144,885
Other expenses	391,914	1,223,015
	<b><u>6,124,359</u></b>	<b><u>6,840,711</u></b>

**20. OTHER CURRENT PAYABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	USD	USD
Union fee	22,703	19,110
Social, Health and Unemployment Insurance	55,174	63,250
Others	1,121,046	963,773
	<b><u>1,198,923</u></b>	<b><u>1,046,133</u></b>

**21. SHORT-TERM PROVISIONS**

	<u>Provision for overhaul cost of fixed assets</u>	<u>Provision for severance allowance</u>	<u>Total</u>
	USD	USD	USD
Opening balance	5,220,714	470,681	5,691,395
Addition/(Reversal) of provision for the year	437,660	(51,856)	385,804
Utilize during the year	(4,548,844)	-	(4,548,844)
Reclassify from long-term provisions	554,536	-	554,536
<b>Closing balance</b>	<b><u>1,664,066</u></b>	<b><u>418,825</u></b>	<b><u>2,082,891</u></b>

For the year ended 31 December 2018, the Company reviewed and updated short-term plan for overhaul costs of fixed assets in order to be aligned with the Company's business. The amount of short-term provision for overhaul cost of fixed assets under the new plan was USD 1,664,066 as at 31 December 2018.

**22. LONG-TERM PROVISIONS**

	<u>Provision for overhaul cost of fixed assets</u>	<u>Provision for overhaul cost of fixed assets</u>
	USD	USD
Opening balance		4,958,844
Provision for the year		121,275
Reclassify to short-term provision		(554,536)
<b>Closing balance</b>		<b><u>4,525,583</u></b>

For the year ended 31 December 2018, the Company reviewed and updated long-term plan for overhaul costs of fixed assets in order to be aligned with the Company's business. The amount of long-term provision for overhaul cost of fixed assets under the new plan was USD 4,525,583 as at 31 December 2018.

**23. SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND**

According to the Company's Charter, the Company appropriates for the Scientific and Technological Development Fund with the amount which does not exceed 10% of taxable profit in order to develop scientific and technological activities.

Movement in fund providing and using during the year was as follows:

	Scientific and Technological Development Fund	
	Available	Total
	The carrying value of assets formed from the fund	
	USD	
<b>Prior year's opening balance</b>	<b>31,311,511</b>	<b>31,740,735</b>
Increase in the year	2,630,024	2,630,024
- Transfer from subsidiaries	2,630,024	2,630,024
Decrease in the year	(26,184,219)	(26,191,181)
- Fund usage	(47,627)	(47,627)
+ <i>The Company</i>	(47,627)	(47,627)
- Reversal of unused fund	(26,136,592)	(26,136,592)
- Depreciation of fixed assets	(6,962)	(6,962)
<b>Current year's opening balance</b>	<b>7,757,316</b>	<b>8,179,578</b>
Decrease in the year	(4,515,636)	(4,522,599)
- Fund usage (**)	(26,775)	(26,775)
+ <i>The Company</i>	(26,775)	(26,775)
- Reversal of unused fund (*)	(4,488,861)	(4,488,861)
- Depreciation of fixed assets	-	(6,963)
Foreign exchange differences	(2,754,045)	(2,754,045)
<b>Current year's closing balance</b>	<b>487,635</b>	<b>902,934</b>

(\*) In the financial year ended 31 December 2018, the Company has reverted the accrued unused Science and Technology Development Fund accrued in 2015 with the amount of VND 104,298,674,937, equivalent to USD 4,488,861, based on the fund demand and usage plan of Science and Technology in 2019 and 2020. The reversal amount in the year is determined based on the amount of Vietnam Dong that the Company has declared on the corporate income tax finalization declaration with the tax department at the year of making the Fund appropriation.

(\*\*) As at 31 December 2018, the accumulated usage amount of Scientific and Technological Development Fund of the Company is USD 2,846,439.

**24. OWNERS' EQUITY**

**Charter capital**

According to the 12<sup>th</sup> amendment of the Business Registration Certificate, the Company's charter capital is VND 3,832,661,600,000; equivalent to USD 196,947,181. The number of shares which has been approved and issued by the Company as below:

	Closing balance		Opening balance	
	Number of shares	VND	Number of shares	VND
<b>Authorized shares</b>	<b>383,266,160</b>	<b>3,832,661,600,000</b>	<b>383,266,160</b>	<b>3,832,661,600,000</b>
<b>Issued shares</b>				
Ordinary shares	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
<b>Treasury shares</b>				
Ordinary shares	(416,000)	(4,160,000,000)	(416,000)	(4,160,000,000)
<b>Shares currently in circulation</b>				
Ordinary shares	382,850,160	3,828,501,600,000	382,850,160	3,828,501,600,000

Ordinary shares have a par value of VND 10,000. The Company 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 Company's residual assets.

Petrovietnam, which is both the founding shareholder and the main shareholder of the Company, currently hold 193,179,459 shares, equivalent to 50.4% as at 31 December 2018 and as at 31 December 2017 of total shares in circulation of the Company.

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

	<b>Owner's contributed capital</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Foreign exchange reserve</b>	<b>Investment and development fund</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Prior year's opening balance	196,947,181	126,770,844	(966,501)	(2,554,169)	58,668,981	180,286,607	559,152,943
Profit for the year	-	-	-	-	-	4,725,340	4,725,340
Transfer from subsidiaries	-	-	-	-	867,877	-	867,877
Foreign exchange differences	-	-	-	(121,114)	-	-	(121,114)
<b>Current year's opening balance</b>	<b>196,947,181</b>	<b>126,770,844</b>	<b>(966,501)</b>	<b>(2,675,283)</b>	<b>59,536,858</b>	<b>185,011,947</b>	<b>564,625,046</b>
Profit for the year	-	-	-	-	-	2,027,145	2,027,145
Funds distribution	-	-	-	-	-	(496,729)	(496,729)
Foreign exchange differences	-	-	-	(532,871)	-	-	(532,871)
<b>Current year's closing balance</b>	<b>196,947,181</b>	<b>126,770,844</b>	<b>(966,501)</b>	<b>(3,208,154)</b>	<b>59,536,858</b>	<b>186,542,363</b>	<b>565,622,591</b>

Foreign exchange reserve represents the differences from the translation of Algeria, Malaysia and Thailand Branch's financial statements from DZD, Malaysia Ringgit and Thailand Baht, respectively, into USD.

According to Resolution of the Shareholders' Meeting No. 01/2018/NQ-DHDCD dated 27 April 2018, the Company declared dividends of 2017 at rate of 10% of its charter capital and will be paid in shares. However, as at the date of the financial statements, the declared dividends have not yet been paid. The dividend paid in shares will be implemented after approval of the Shareholders' Meeting in 2019.

In 2018, the Company appropriated for Investment and Development Fund, Bonus and Welfare Fund out of the Company's profit after tax during the year in accordance with the Charter.

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**25. OFF BALANCE SHEET ITEM**

**Operating lease assets**

Minimum lease payment in the future under non-cancellable operating leases under the terms described in Note 35.

**Foreign currencies**

	Closing balance	Opening balance
Vienam Dong ("VND")	1,016,965,126,554	2,137,973,300,871
Euro ("EUR")	3,113	3,113
British Pound ("GBP")	2,775	2,775
Myanmar Kyat ("MMK")	1,342,675	1,342,675
Singapore Dollar ("SGD")	36,342	36,342
Algerian Dinar ("DZD")	3,441,426	5,315,352
Malaysian ringgit ("MYR")	1,134,097	-
Thai baht ("THB")	2,243	-

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

	Current year USD	Prior year USD
Sales of drilling services	91,603,817	77,699,068
Sales of goods sold and other services rendered	34,795,237	34,740,694
	<b>126,399,054</b>	<b>112,439,762</b>

Sales transactions with related parties: see Note 37.

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

	Current year USD	Prior year USD
Cost of drilling services	95,029,530	87,277,282
Cost of goods sold and other services rendered	32,914,663	32,936,955
	<b>127,944,193</b>	<b>120,214,237</b>

**28. COSTS BY NATURE**

	Current year USD	Prior year USD
Raw materials and consumables	7,372,553	5,645,583
Labour	54,218,787	53,880,125
Depreciation and amortisation (Reversal)/Addition of provision	17,825,223	21,420,609
Out-sourced services	(3,668,724)	7,233,061
Other monetary expenses	56,166,819	47,420,476
	1,858,764	2,528,079
	<b>133,773,422</b>	<b>138,127,933</b>

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**29. FINANCIAL INCOME**

	Current year USD	Prior year USD
Interest income	2,987,314	5,338,973
Income from investments in subsidiaries	6,161,745	4,066,653
Income from investments in joint ventures	1,866,743	3,025,585
Foreign exchange gain	3,640,546	1,513,126
	<b>14,656,348</b>	<b>13,944,337</b>

**30. FINANCIAL EXPENSES**

	Current year USD	Prior year USD
Interest expenses	22,259	358,924
Foreign exchange loss	1,771,585	1,897,790
Additional/(Reversal) of provision for impairment of investments	6,407,516	(35,326)
Other financial expenses	571,159	994,963
	<b>8,772,519</b>	<b>3,216,351</b>

**31. GENERAL AND ADMINISTRATION EXPENSES**

	Current year USD	Prior year USD
Labour	6,143,737	7,037,204
Depreciation and amortization	582,811	765,986
(Reversal)/Additional of provisions	(4,597,273)	5,781,532
Out-sourced services	2,175,811	2,505,063
Other expenses	1,211,542	1,285,272
	<b>5,516,628</b>	<b>17,375,057</b>

**32. OTHER INCOME**

	Current year USD	Prior year USD
	212	55

Disposal of fixed assets  
Reversal of Science and Technology  
Development Fund  
Others

	4,488,861	26,136,592
	73,222	242,683
	<b>4,562,295</b>	<b>26,379,330</b>

**33. CORPORATE INCOME TAX EXPENSE**

	Current year USD	Prior year USD
<b>Current corporate income tax expense</b>	987,549	6,175,763
- Corporate income tax based on taxable income from revert of Science and Technology Development fund in previous years to the current year		
<b>Total current corporate income tax expense</b>	<b>987,549</b>	<b>6,175,763</b>

The current corporate income tax expense for the year was computed as follows:

	<u>Current year</u>	<u>Prior year</u>
	<u>USD</u>	<u>USD</u>
Profit before tax	3,004,520	10,981,822
Adjustments for taxable profit		
Less: <i>non-taxable income</i>	13,029,188	33,907,890
Add back: <i>non-deductible expenses</i>	960,163	2,073,522
<b>Taxable loss</b>	<b>(9,064,505)</b>	<b>(20,852,546)</b>
Normal tax rate	20%	20%
<b>Current corporate income tax expense</b>	<b>-</b>	<b>-</b>

In the year ended 31 December 2018, the Company recorded additional CIT expense with the amount of USD 987,549 due to reversal of unused Science and Technology Development Fund accrued in 2015.

The Company is obliged to pay income tax at the tax rate of 20% (2017: 20%) out of the taxable income.

At the balance sheet date, the Company has unused tax losses of USD 46,095,332 (2017: USD 37,030,827) available for offset against future profits. No deferred tax asset has been recognized due to the uncertainty of future profits. These losses can be carried forward for a maximum period of five years from the year it was incurred.

The benefits from the Company's tax losses carried forward expire according to the following schedule:

<u>Year</u>	<u>Amount of tax loss</u>
	<u>USD</u>
2021	16,692,361
2022 (*)	20,338,466
2023	9,064,505
	<b>46,095,332</b>

(\*) The tax loss for the year ended 31 December 2017 was adjusted according to the Company's corporate income tax finalization of financial year 2017 as below:

<u>Stated amount</u>	<u>Adjustment amount</u>	<u>Restated amount</u>
<u>USD</u>	<u>USD</u>	<u>USD</u>
20,852,546	(514,080)	20,338,466

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

**34. CONTINGENT LIABILITIES**

As at date of these separate financial statements, the Company has not yet completed the tax finalization for its branch operation in Algeria and Malaysia in accordance with the local tax finalization procedures. The tax finalization will be done by the Authorities of Algeria and Malaysia upon the completion of Algeria and Malaysia projects and the tax liabilities will be determined at that time. However, the Company's Board of Directors believe that no significant tax liabilities will incur upon the tax finalization of these branches and therefore no additional provision has been made.



**35. OPERATING LEASE COMMITMENTS**

Lease commitments for office, warehouse and land:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>USD</u>	<u>USD</u>
Minimum lease payments under operating leases recognized in the separate income statement for the year	757,669	840,410

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

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>USD</u>	<u>USD</u>
Within one year	607,283	761,002
In the second to fifth year inclusive	1,113,218	1,419,680
After five years	723,868	1,020,350
	<b><u>2,444,369</u></b>	<b><u>3,201,032</u></b>

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

**36. FINANCIAL INSTRUMENTS**

**Capital risk management**

The Company manages its capital to ensure that the Company 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 Company consists of equity attributable to shareholders of the Company (comprising owners' contributed capital, share premium, treasury shares, foreign exchange difference reserves, reserves and retained earnings).

**Significant accounting policies**

Details of the significant accounting policies and methods adopted by the Company (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets and financial liabilities are disclosed in Note 3.

**Categories of financial instruments**

	<u>Carrying amounts</u>	
	<u>Closing balance</u>	<u>Opening balance</u>
	<u>USD</u>	<u>USD</u>
<b>Financial assets</b>		
Cash and cash equivalents	70,803,187	34,466,214
Trade and other receivables	52,176,687	61,439,977
Held-to-maturity Investments	42,604,714	92,049,676
	<b><u>165,584,588</u></b>	<b><u>187,955,867</u></b>
<b>Financial liabilities</b>		
Borrowings	-	24,788,277
Trade and other payables (*)	32,389,479	36,857,574
Accrued expenses	6,124,359	6,840,711
	<b><u>38,513,838</u></b>	<b><u>68,486,562</u></b>

(\*) Trade and other payables do not include payable to Social, Health and Unemployment Insurance and Union fee as stated in Notes 20.

The Company has not yet assessed fair value of its financial assets and liabilities as at the balance sheet date since there is no comprehensive guidance under 210/2009/TT-BTC issued by the Ministry of finance on 6 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.

**Financial risk management objectives**

Financial risks include market risk (including foreign currency risk), credit risk and liquidity risk. The Company has hedged these risk 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 Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

*Foreign currency risk management*

The Company undertakes certain transactions denominated in foreign currencies; consequently, the Company exposures to exchange rate fluctuations arise. However, the Company manages to balance cash inflow and outflow of foreign currencies by negotiating business contracts on the balance basis of foreign currencies from payables and receivables in order to minimize the foreign currency risk. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2018 and 31 December 2017 are as follows:

	Assets		Liabilities	
	Closing balance USD	Opening balance USD	Closing balance USD	Opening balance USD
Vietnam Dong ("VND")	59,344,259	109,125,251	13,707,174	17,750,554
Algerian Dinar ("DZD")	28,548	1,134,547	16,892	721,152
Singapore Dollar ("SGD")	26,434	27,068	161,736	201,511
Euro ("EUR")	3,545	3,711	8,772	81,175
Thai Baht ("THB")	68	3,296,899	5,367	212,610
British Pound ("GBP")	3,491	3,739	898	2,488
Australia Dollar ("AUD")	-	-	14,958	5,639
Myanmar Dollar ("MMK")	986	986	15,466	168,855
Malaysia Ringgit ("MYR")	229,123	-	445,049	-

*Foreign currency sensitivity analysis*

The Company is mainly exposed to Vietnam Dong.

The rate of 2% (2017: 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 year end for a 2% (2017: 2%) change in foreign currency rates. For a 2% (2017: 2%) increase/decrease in Vietnam Dong against United States Dollar, the Company's profit before tax in the year would decrease/increase by an amount of USD 912,742 (2017: USD 1,827,494).

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

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company. Therefore, the Company has devised an appropriate credit policy in place and the exposure to credit risk is monitored on an on-going basis. As at 31 December 2018, the Company made provision for doubtful debts which was overdue for more than six months in accordance with regulations of Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009.

**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 year is kept to manageable levels relative to the amount of funds that the Company believes can generate within that year. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its shareholders to meet its liquidity requirements in the short and longer term.

The following tables detail the Company'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 Company can be required to pay, if any. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	31/12/2018		Total USD
	Less than 1 year USD	From 1 - 5 years USD	
<b>Financial assets</b>			
Cash and cash equivalents	70,803,187	-	70,803,187
Trade and other receivables	51,764,477	412,210	52,176,687
Held-to-maturity investments	38,975,420	3,629,294	42,604,714
	<b>161,543,084</b>	<b>4,041,504</b>	<b>165,584,588</b>
<b>Financial liabilities</b>			
Trade and other payables	32,389,479	-	32,389,479
Accrued expenses	6,124,359	-	6,124,359
	<b>38,513,838</b>	<b>-</b>	<b>38,513,838</b>
<b>Net liquidity gap</b>	<b>123,029,246</b>	<b>4,041,504</b>	<b>127,070,750</b>
<b>31/12/2017</b>	<b>Less than 1 year USD</b>	<b>From 1 - 5 years USD</b>	<b>Total USD</b>
<b>Financial assets</b>			
Cash and cash equivalents	34,466,214	-	34,466,214
Trade and other receivables	60,836,426	603,551	61,439,977
Held-to-maturity investments	92,049,676	-	92,049,676
	<b>187,352,316</b>	<b>603,551</b>	<b>187,955,867</b>
<b>Financial liabilities</b>			
Borrowings	17,200,000	7,588,277	24,788,277
Trade and other payables	36,857,574	-	36,857,574
Accrued expenses	6,840,711	-	6,840,711
	<b>60,898,285</b>	<b>7,588,277</b>	<b>68,486,562</b>
<b>Net liquidity gap</b>	<b>126,454,031</b>	<b>(6,984,726)</b>	<b>119,469,305</b>

**37. RELATED PARTY TRANSACTIONS AND BALANCES**

List of related parties:

<b>Related parties</b> Petrovietnam's subsidiaries	<b>Relationship</b> Fellow companies which have investments from Petrovietnam Subsidiaries
The Company's subsidiaries	Fellow companies which have investments from Petrovietnam
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	Fellow companies which have investments from Petrovietnam
The Company's joint ventures	Joint Ventures

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

	<u>Current year</u> <b>USD</b>	<u>Prior year</u> <b>USD</b>
<b>Sales</b>		
Petrovietnam's subsidiaries	5,059,311	3,715,230
The Company's subsidiaries	958,215	823,658
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	57,068,906	59,484,322
<i>In which: details account for 10% or more of total value of transactions:</i>		
- <i>Cuu Long Joint Operating Company</i>	7,757,048	8,066,971
- <i>Thang Long Joint Operating Company</i>	7,474,394	9,088,416
- <i>Premier Oil Vietnam Offshore B.V.</i>	7,681,190	1,407,055
- <i>Talisman Vietnam 07/03 B.V</i>	10,477,276	6,293,232
The Company's joint ventures	<u>2,109,397</u>	<u>1,434,874</u>
<b>Purchases</b>		
Petrovietnam's subsidiaries	551,141	3,926,253
The Company's subsidiaries	26,515,198	30,989,958
<i>In which: details account for 10% or more of total value of transactions:</i>		
- <i>PVD Offshore</i>	7,539,702	8,127,686
- <i>PVD Overseas</i>	13,225,915	17,396,047
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	79,141	153,020
The Company's joint ventures	<u>1,701,188</u>	<u>5,404,945</u>

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

	<u>Current year</u> <b>USD</b>	<u>Prior year</u> <b>USD</b>
Salaries	260,482	201,657
Bonus	13,346	44,489
Other benefits	6,698	15,948
	<u>280,526</u>	<u>262,094</u>



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

	Closing balance USD	Opening balance USD
<b>Receivables</b>		
Petrovietnam's subsidiaries	705,984	785,968
The Company's subsidiaries	4,111,226	4,752,566
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Deepwater	4,111,226	4,752,566
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	28,031,325	34,080,592
<i>In which: details account for 10% or more of total value of balance:</i>		
- Vietsopetro Joint Ventures	11,978,775	5,804,963
- Petrovietnam Exploration Production Corporation	7,063,492	6,520,524
The Company's joint ventures	1,159,710	838,159
	<b><u>34,008,245</u></b>	<b><u>40,457,285</u></b>

**Other receivables**

The Company's subsidiaries	5,014,475	7,871,253
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Offshore	736,025	1,201,415
- PVD Well	1,043,532	1,736,913
- PVD Logging	2,732,499	4,932,925
- PVD Tech	502,419	-
The Company's joint ventures	1,866,743	-
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Baker Hughes	1,866,743	-
	<b><u>6,881,218</u></b>	<b><u>7,871,253</u></b>

**Payables**

Petrovietnam's subsidiaries	518,547	827,291
The Company's subsidiaries	18,563,288	22,406,154
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Offshore	3,041,922	5,082,853
- PVD Overseas	12,546,320	15,054,770
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	295,053	1,096,618
The Company's joint ventures	1,001,316	1,519,820
	<b><u>20,378,204</u></b>	<b><u>25,849,883</u></b>

**38. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**Supplemental non-cash disclosures:**

Interest income, dividends and profits received during the year excluded an amount of USD 6,975,540 (2017: USD 9,126,766), representing interest income, dividends and profits declared during the year to be received. Therefore, a corresponding amount was adjusted to the changes in receivables.

Besides, dividends and profits received during the year excluded an amount of USD 4,155,398 (2017: USD 2,324,191), representing dividends and profits that was received in form of being offset against payables. This transaction does not affect cash flow, hence it is not presented in the cash flow statement.



**39. APPROVAL FOR ISSUANCE OF THE SEPARATE FINANCIAL STATEMENTS**

The separate financial statements for the year ended 31 December 2018 was approved by the Company's Board of Management for issuance on 29 March 2019.



**Pham Tien Dung**

**President**

29 March 2019

**Doan Dac Tung**  
**Chief Accountant**

**Tran Kim Hoang**  
**Preparer**

