

**PETROVIETNAM DRILLING AND WELL SERVICES
CORPORATION**

(Incorporated in Socialist Republic of Vietnam)

**AUDITED TRANSLATED SEPARATE
FINANCIAL STATEMENTS**

For the year ended 31 December 2018

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION
4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF DIRECTORS	1 - 2
INDEPENDENT AUDITORS' REPORT	3 - 4
BALANCE SHEET	5 - 6
INCOME STATEMENT	7
CASH FLOW STATEMENT	8 - 9
NOTES TO THE TRANSLATED SEPARATE FINANCIAL STATEMENTS	10 - 35



PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION
4th Floor, Sailing Tower, 111A Pasteur Street, District 1
Ho Chi Minh City, S.R. Vietnam

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 translated 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 in United States Dollar ("USD") for the year ended 31 December 2018, which give a true and fair view of the financial position of the Company as at 31 December 2018, and its separate 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. Also, the Board of Directors is responsible for preparing the translated separate financial statements from the above-mentioned USD financial statements in accordance with requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated separate financial statements. In preparing these translated 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 translated separate financial statements;
- prepare the translated 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 translated separate financial statements so as to minimize errors and frauds.

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION

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

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 financial position of the Company and that the translated 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 translated separate financial statements.

For and on behalf of the Board of Directors,





Pham Tien Dung
President

29 March 2019



Deloitte Vietnam Company Ltd.
18th Floor, Times Square Building,
57-69F Dong Khoi Street, Ben Nghe Ward,
District 1, Ho Chi Minh City, Vietnam
Tel : +84 28 3910 0751
Fax: +84 28 3910 0750
www.deloitte.com/vn

No.: *096* /VNIA-HC-BC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying translated separate financial statements of Petrovietnam Drilling and Well Services Corporation (the "Company"), prepared on 29 March 2019 as set out from page 5 to page 35, which comprise the translated separate 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. These translated separate financial statements have been prepared by the Board of Directors under Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated separate financial statements.

The Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of these translated separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong and for such internal control as the Board of Directors determines is necessary to enable the preparation of the translated 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 translated 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 translated separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the translated separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the translated 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 translated 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 translated 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 translated separate financial statements for the year ended 31 December 2018 are prepared, in all material respects, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of Matter

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

Basis of Accounting and Restriction on Distribution and Use

We draw readers' attention to Note 2 of the Notes to the translated separate financial statements, which describes the basis of accounting for the translation of the financial statements. These translated separate financial statements are prepared to assist the Company to meet the requirements of Circular 200 in disclosure and submission of financial statements to the State bodies.

Other matter

The Company has prepared a set of separate financial statements for the year ended 31 December 2018 in United States Dollar which is its functional currency, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting, on which we issued an independent auditors' report dated 29 March 2019 expressing an unqualified opinion.



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

BALANCE SHEET
 As at 31 December 2018

Unit: VND

ASSETS		Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS					
I. Cash and cash equivalents	110	4		4,144,706,900,970	4,628,259,000,480
1. Cash	111			1,638,739,763,115	781,176,740,310
2. Cash equivalents	112			1,633,741,924,395	776,176,750,650
				4,997,838,720	4,999,989,660
II. Short-term financial investments	120	5		902,086,095,900	2,086,305,906,540
1. Held-to-maturity investments	123			902,086,095,900	2,086,305,906,540
III. Short-term receivables	130	6		1,211,386,997,850	1,386,211,775,835
1. Short-term trade receivables	131			1,097,173,310,430	1,360,921,352,895
2. Short-term advances to suppliers	132			13,298,168,055	7,354,180,545
3. Other short-term receivables	136			256,739,741,055	274,726,046,070
4. Provision for short-term doubtful debts	137			(155,824,221,690)	(256,789,803,675)
IV. Inventories	140	8		386,072,070,390	364,318,547,235
1. Inventories	141			452,557,587,315	419,872,615,410
2. Provision for devaluation of inventories	149			(66,485,516,925)	(55,554,068,175)
V. Other short-term assets	150			6,421,973,715	10,246,030,560
1. Short-term prepayments	151			5,864,156,070	9,756,443,895
2. Value added tax deductibles	152			557,817,645	489,586,665
B. NON-CURRENT ASSETS	200			10,168,561,438,095	10,421,355,939,480
I. Long-term receivables	210			9,540,600,450	13,679,483,415
1. Other long-term receivables	216	9		9,540,600,450	13,679,483,415
II. Fixed assets	220			7,047,382,282,125	7,294,289,869,050
1. Tangible fixed assets	221	10		6,926,121,553,605	7,172,002,470,765
- Cost	222			12,949,456,967,640	12,663,168,088,230
- Accumulated depreciation	223			(6,023,335,414,035)	(5,491,165,617,465)
2. Intangible assets	227	11		121,260,728,520	122,287,398,285
- Cost	228			221,692,206,870	212,861,565,930
- Accumulated amortisation	229			(100,431,478,350)	(90,574,167,645)
III. Long-term assets in progress	240			10,043,332,995	15,946,686,030
1. Long-term construction in progress	242	12		10,043,332,995	15,946,686,030
IV. Long-term financial investments	250			3,083,159,720,835	3,082,187,035,935
1. Investments in subsidiaries	251	13		2,784,208,425,780	2,726,467,227,060
2. Investments in joint-ventures, associates	252	14		417,222,092,670	408,569,398,590
3. Provision for impairment of long-term financial investments	254	15		(202,270,797,615)	(52,849,589,715)
4. Held-to-maturity investments	255	5		84,000,000,000	-
V. Other long-term assets	260			18,435,501,690	15,252,865,050
1. Long-term prepayments	261			3,199,657,380	563,587,890
2. Deferred tax assets	262	16		15,235,844,310	14,689,277,160
TOTAL ASSETS (270=100+200)	270			14,313,268,339,065	15,049,614,939,960

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

BALANCE SHEET (Continued)

As at 31 December 2018

Unit: VND

	Codes	Notes	Closing balance	
			Closing balance	Opening balance
RESOURCES				
C. LIABILITIES	300		1,221,933,470,370	2,252,388,272,370
I. Current liabilities	310	17	1,096,290,444,405	1,782,617,639,535
1. Short-term trade payables	311	17	723,707,858,640	813,532,999,665
2. Taxes and amounts payable to the State budget	313	18	54,490,713,255	135,850,066,290
3. Payables to employees	314	19	47,705,270,460	73,837,810,350
4. Short-term accrued expenses	315	19	141,748,289,055	155,044,714,815
5. Other current payables	319	20	27,749,072,835	23,710,604,445
6. Short-term loans	320		-	389,838,000,000
7. Short-term provisions	321	21	48,208,512,195	128,995,467,675
8. Bonus and welfare funds	322		52,680,727,965	61,807,976,295
II. Long-term liabilities	330		125,643,025,965	469,770,632,835
1. Long-term loans	338		338	171,988,298,205
2. Long-term provisions	342	22	104,744,618,535	112,392,199,260
3. Scientific and technological development fund	343	23	20,898,407,430	185,390,135,370
D. EQUITY	400		13,091,334,868,695	12,797,226,667,590
I. Owner's equity	410	24	13,091,334,868,695	12,797,226,667,590
1. Owner's contributed capital	411		3,832,661,600,000	3,832,661,600,000
- Ordinary shares carrying voting rights	411a		3,832,661,600,000	3,832,661,600,000
2. Share premium	412		2,434,086,374,663	2,434,086,374,663
3. Treasury shares	415		(20,948,559,850)	(20,948,559,850)
4. Foreign exchange reserve	417		1,902,379,653,450	1,643,458,777,017
5. Investment and development fund	418		1,198,782,900,443	1,198,782,900,443
6. Retained earnings	421		3,744,372,899,989	3,709,185,575,317
- Retained earnings accumulated to the prior year end	421a		3,709,185,575,317	3,602,014,864,117
- Retained earnings of the current year	421b		35,187,324,672	107,170,711,200
TOTAL RESOURCES (440=300+400)	440		14,313,268,339,065	15,049,614,939,960



Pham Tien Dung
President
29 March 2019

Doan Dac Tung
Chief Accountant

Tran Kim Hoang
Preparer

INCOME STATEMENT
For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		2,906,167,049,568	2,550,133,802,160
2. Net revenue from goods sold and services rendered (10=01)	10	26	2,906,167,049,568	2,550,133,802,160
3. Cost of sales	11	27	2,941,692,885,456	2,726,458,895,160
4. Gross loss from goods sold and services rendered (20=10-11)	20		(35,525,835,888)	(176,325,093,000)
5. Financial income	21	29	336,978,753,216	316,257,563,160
6. Financial expenses	22	30	201,697,756,848	72,946,840,680
- In which: Interest expense	23		511,778,928	8,140,396,320
7. Selling expenses	25	31	7,187,322,192	12,216,332,520
8. General and administration expenses	26		126,838,310,976	394,066,292,760
9. Operating loss (30=20+(21-22)-(25+26))	30		(34,270,472,688)	(339,296,995,800)
10. Other income	31	32	104,896,286,640	598,283,204,400
11. Other expenses	32		1,545,890,112	9,918,485,640
12. Profit from other activities (40=31-32)	40		103,350,396,528	588,364,718,760
13. Accounting profit before tax (50=30+40)	50		69,079,923,840	249,067,722,960
14. Current corporate income tax expense	51	33	22,705,726,608	140,066,304,840
15. Deferred corporate tax (Income)/expense	52	16	(233,920,608)	1,830,706,920
16. Net profit after corporate income tax (60=50-51-52)	60		46,608,117,840	107,170,711,200



(Signature)

(Signature)

(Signature)

Pham Tien Dung
President
29 March 2019

Doan Dac Tung
Chief Accountant

Tran Kim Hoang
Preparer

CASH FLOW STATEMENT
For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	69,079,923,840	249,067,722,960
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	409,837,527,216	485,819,412,120
Provisions	03	62,970,305,664	44,103,459,960
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(68,056,320)	38,485,669,320
Gain from investing activities	05	(253,280,193,888)	(281,941,112,880)
Interest expense	06	511,778,928	8,140,396,320
Other adjustments	07	(104,298,674,937)	(594,374,969,988)
3. Operating profit/(loss) before movements in working capital	08	184,752,610,503	(50,699,422,188)
Decrease/(increase) in receivables	09	252,924,323,712	(2,831,802,120)
(Increase)/decrease in inventories	10	(23,635,615,056)	19,710,258,120
(Decrease)/increase in payables	11	(197,208,063,024)	47,314,018,080
Decrease/(increase) in prepaid expenses	12	1,465,027,248	(1,751,077,440)
Interest paid	14	(3,842,974,848)	(10,415,948,760)
Corporate income tax paid	15	(104,132,855,633)	(36,500,705,850)
Other cash inflows	16	-	10,247,549,760
Other cash outflows	17	(22,403,634,720)	(33,010,399,800)
Net cash generated by/(used in) operating activities	20	87,918,818,182	(57,937,530,198)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(30,620,078,832)	(17,331,489,000)
2. Proceeds from sale, disposal of fixed assets	22	28,004,256	1,247,400
3. Cash outflow for lending, buying debt instruments of other entities	23	(1,433,790,000,000)	(2,001,184,400,000)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,534,009,810,640	1,572,318,244,360
5. Interest earned, dividends and profits received	27	207,433,157,232	145,924,503,480
Net cash generated by/(used in) investing activities	30	1,277,060,893,296	(300,271,893,760)



CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Repayment of borrowings	34	(569,932,064,784)	(390,096,000,000)
Net cash used in financing activities	40	(569,932,064,784)	(390,096,000,000)
Net increase/(decrease) in cash (50=20+30+40)	50	795,047,646,694	(748,305,423,958)
Cash and cash equivalents at the beginning of the year	60	781,176,740,310	1,513,010,705,800
Effects of changes in foreign exchange rates	61	(898,136,496)	(1,195,893,720)
Foreign exchange differences in translation	62	63,413,512,607	17,667,352,188
Cash and cash equivalents at the end of the year (70=50+60+61+62)	70	1,638,739,763,115	781,176,740,310



Pham Tien Dung
President
29 March 2019

Doan Dac Tung
Chief Accountant

Tran Kim Hoang
Preparer

NOTES TO THE TRANSLATED SEPARATE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying translated 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 12th 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 Certificates No. 4113028028 issued by the DPI of Ho Chi Minh City. The Drilling Division's registered office is located at 3rd Floor, Sailing Tower 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 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R Vietnam.
- Algeria Branch was established in accordance with the Decision No. 13/QĐ-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 EI, 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 351-2-9, 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 06 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 01 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 translated separate financial statement, the Company is reviewing restructuring plans for the entities within the Group.

Disclosure of information comparability in the translated separate financial statements

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The Company uses United States Dollar ("USD") as currency unit. The Board of Directors believes that the use of USD as currency unit is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Company's business operations. For statutory reporting purposes as required by Circular No. 200/2014/TT-BTC, the Company translated its audited separate financial statements for the year ended 31 December 2018 prepared in USD into Vietnam Dong ("VND") based on the following principles:

- Assets and liabilities are translated into VND at the actual exchange rate as at 31 December 2018 of 23,145 VND/USD (the remittance rate of the Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh Branch, the bank that the Company has transaction frequently in the time of reporting);
- Equity items (including owners' contributed capital, share premium and treasury shares) are translated into VND at the actual transaction rates at the capital contribution or buy-back treasury shares dates;
- Exchange differences are translated into VND at the actual transaction rates at the revaluation date;
- Retained earnings, reserves appropriated from retained earnings arising after the investment date are translated into VND based on the separate income statement items.
- Items of separate income statement and cash flow statement are translated into VND at the average exchange rates for the financial year because if this exchange rate is equivalent to the actual exchange rate at the date of transaction (the difference does not exceed 3%). Accordingly, separate income statement and cash flow statement are translated at the average exchange rate during the year of 22,992 VND/USD of Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch.

Exchange differences arising on the translation of the financial statements prepared in foreign currency into VND are presented in the "Foreign exchange reserve" item with the code 417 under the "Equity" section on the balance sheet.

The accompanying translated 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 its subsidiaries and its joint ventures in these translated separate financial statements. Accounting policies for the Company's investments are detailed in Note 3.

The accompanying translated 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 translated separate financial statements, are as follows:

Accounting estimates

The preparation of translated 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 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 recognized 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 recognized in the translated 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 Years	Prior year 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 translated 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 amortised. Land use rights with definite time are amortised 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 translated 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 translated 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

Payable 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 recognized 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 translated separate financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the translated 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 translated separate income statement.

In preparation of the translated 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 translated separate income statement once the foreign operations and branches are disposed.

Borrowing costs

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

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	Opening balance
	VND	VND
Cash on hand	1,455,589,050	1,976,659,980
Bank demand deposits	1,632,286,335,345	774,200,090,670
Cash equivalents	4,997,838,720	4,999,989,660
	<u>1,638,739,763,115</u>	<u>781,176,740,310</u>

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

5. HELD-TO MATURITY INVESTMENTS

	Closing balance	Opening balance
	VND	VND
a. Current		
- Time deposits	<u>902,086,095,900</u>	<u>2,086,305,906,540</u>
b. Non-current		
- Time deposits	<u>84,000,000,000</u>	<u>84,000,000,000</u>

Held-to maturity investments as at 31 December 2018 represent time deposits at commercial banks with maturities over 3 months bears 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	Opening balance
	VND	VND
Short-term trade receivables		
Vietsovpetro Joint Ventures	277,248,747,375	131,664,024,716
Petrovietnam Exploration Production Corporation	163,484,522,340	147,787,670,649
MKN ODYSSEY Ventures SDN,BHD	172,997,672,820	130,733,555,865
PVD Deepwater	95,154,325,770	107,716,908,390
Others	388,288,042,125	843,019,193,275
	<u>1,097,173,310,430</u>	<u>1,360,921,352,895</u>

In which

	Closing balance	Opening balance
	VND	VND
Receivables from related parties		
(Details stated in Note 37)	787,120,826,250	916,964,364,525
	<u>787,120,826,250</u>	<u>916,964,364,525</u>

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION
NOTES TO THE TRANSLATED SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Overdue more than 6 months (Cost)	Provision	Overdue more than 6 months (Cost)	Provision
Petrovietnam Exploration Production Corporation	151,089,346,689	(105,583,283,396)	147,787,670,567	(73,893,835,510)
Petrovietnam Domestic Exploration Production Operating Company Limited	76,166,522,721	(50,129,293,757)	377,847,786,632	(182,895,968,165)
Others	372,137,080	(111,644,537)	-	-
	227,628,006,490	(155,824,221,690)	525,635,457,199	(256,789,803,675)

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance		Opening balance	
	VND	VND	VND	VND
Inter-company receivables from subsidiaries		116,060,023,875		178,401,949,245
Deposits		65,651,486,850		2,826,824,130
Dividend		43,205,766,735		-
Interest income receivables		14,160,180,435		82,140,407,820
Receivable from employees		1,176,090,030		1,272,889,065
Other receivables		16,486,193,130		10,083,975,810
		256,739,741,055		274,726,046,070
In which				
Receivables from related parties				
(Details stated in Note 37)		159,265,790,610		178,401,949,245
		159,265,790,610		178,401,949,245

8. INVENTORIES

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
Good in transit	14,550,257,470	-	-	-
Raw materials	435,754,618,200	(66,485,516,925)	419,524,413,015	(55,554,068,175)
Tools and supplies	2,252,711,645	-	348,202,395	-
	452,557,587,315	(66,485,516,925)	419,872,615,410	(55,554,068,175)

During the year ended 31 December 2018, the Company provided provision for devaluation of inventories of VND 10,931,448,750 (for the year ended 31 December 2017: the Company reversed provision for devaluation of inventories of VND 15,500,450,325).

9. OTHER LONG-TERM RECEIVABLES

	Closing balance		Opening balance	
	VND	VND	VND	VND
Deposits		9,540,600,450		13,679,483,415

10. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Others VND	Total VND
COST						
Opening balance	267,269,601,045	12,290,797,255,785	54,323,993,295	49,626,672,045	1,150,566,060	12,663,168,088,230
Additions	2,597,636,160	25,152,995,088	1,472,499,648	-	-	29,223,130,896
Other increases	-	-	1,064,184,720	473,060,400	-	1,537,245,120
Disposals	-	(984,011,616)	(250,129,968)	-	-	(1,234,141,584)
Foreign exchange differences	5,076,383,895	249,450,786,123	1,160,321,250	1,050,786,990	24,366,720	256,762,644,978
Closing balance	<u>274,943,621,100</u>	<u>12,564,417,025,380</u>	<u>57,770,868,945</u>	<u>51,150,519,435</u>	<u>1,174,932,780</u>	<u>12,949,456,967,640</u>
ACCUMULATED DEPRECIATION						
Opening balance	76,798,267,320	5,318,767,649,385	45,420,660,000	49,028,474,700	1,150,566,060	5,491,165,617,465
Charge for the year	7,090,180,992	391,980,491,520	2,751,130,522	606,827,856	-	402,428,630,890
Other increases	-	-	1,064,184,720	473,060,400	-	1,537,245,120
Disposals	-	(984,011,616)	(227,023,008)	-	-	(1,211,034,624)
Reclassification	-	(262,752,576)	-	-	-	(262,752,576)
Foreign exchange differences	1,093,626,813	126,537,128,907	980,428,841	1,042,156,479	24,366,720	129,677,707,760
Closing balance	<u>84,982,075,125</u>	<u>5,836,038,505,620</u>	<u>49,989,381,075</u>	<u>51,150,519,435</u>	<u>1,174,932,780</u>	<u>6,023,335,414,035</u>
NET BOOK VALUE						
Opening balance	<u>190,471,333,725</u>	<u>6,972,029,606,400</u>	<u>8,903,333,295</u>	<u>598,197,345</u>	<u>-</u>	<u>7,172,002,470,765</u>
Closing balance	<u>189,961,545,975</u>	<u>6,728,378,519,760</u>	<u>7,781,487,870</u>	<u>-</u>	<u>-</u>	<u>6,926,121,553,605</u>

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 PV Drilling 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 VND 221,497,478,592 (Depreciation expense of PV Drilling II and III for the year ended 31 December 2018 under the old useful lives is VND 387,620,564,544).

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

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 VND 370,389,683,676 (as at 31 December 2017: VND 193,286,189,659).

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION
NOTES TO THE TRANSLATED SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

11. INTANGIBLE FIXED ASSETS

	Land use rights	Computer software	Total
	VND	VND	VND
COST			
Opening balance	138,753,271,470	74,108,294,460	212,861,565,930
Additions	-	4,301,504,304	4,301,504,304
Foreign exchange differences	2,938,520,640	1,590,615,996	4,529,136,636
Closing balance	141,691,792,110	80,000,414,760	221,692,206,870
ACCUMULATED DEPRECIATION			
Opening balance	22,928,888,595	67,645,279,050	90,574,167,645
Charge for the year	2,389,466,592	5,179,522,800	7,568,989,392
Reclassification	-	262,752,576	262,752,576
Foreign exchange differences	501,489,318	1,524,079,419	2,025,568,737
Closing balance	25,819,844,505	74,611,633,845	100,431,478,350

NET BOOK VALUE

Opening balance	115,824,382,875	6,463,015,410	122,287,398,285
Closing balance	115,871,947,605	5,388,780,915	121,260,728,520

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

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 VND 68,762,154,020 (as at 31 December 2017: VND 46,589,102,721).

12. LONG-TERM CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
ERP Project - Phase 3	9,303,942,825	9,110,990,025
Construction of other assets in progress	739,390,170	6,835,696,005
	10,043,332,995	15,946,686,030

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; skilful 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, 12Ath 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 10th 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, 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 8th 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.

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 5th 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.



PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION
NOTES TO THE TRANSLATED SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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	Contributed charter capital	Investment value	Proportion of ownership interest/ voting power held	Registered charter capital	Contributed charter capital	Investment value
	%	(original currency)	(original currency)	VND	%	(original currency)	(original currency)	VND
PVD Offshore	100	VND 130,000,000,000	VND 130,000,000,000	130,000,000,000	100	VND 130,000,000,000	VND 130,000,000,000	130,000,000,000
PVD Well	100	VND 80,000,000,000	VND 80,000,000,000	80,000,000,000	100	VND 80,000,000,000	VND 80,000,000,000	80,000,000,000
PVD Logging	100	VND 80,000,000,000	VND 80,000,000,000	80,000,000,000	100	VND 80,000,000,000	VND 80,000,000,000	80,000,000,000
PVD Tech	97	VND 200,000,000,000	VND 200,000,000,000	194,000,000,000	97	VND 200,000,000,000	VND 200,000,000,000	194,000,000,000
PVD Training	52	VND 28,958,670,000	VND 28,958,670,000	19,755,753,400	52	VND 28,958,670,000	VND 28,958,670,000	19,755,753,400
PVD Deepwater	100	VND 764,000,000,000	VND 764,000,000,000	764,000,000,000	100	VND 764,000,000,000	VND 764,000,000,000	764,000,000,000
PVD Overseas	82	USD 41,961,000	USD 66,698,050	1,184,832,000,000	82	USD 41,961,000	USD 66,698,050	1,184,832,000,000
Foreign exchange differences in translation				331,620,672,380				273,879,473,660
				<u>2,784,208,425,780</u>				<u>2,726,467,227,060</u>

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. 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 10th Floor, Sailing Tower, 111A 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 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.

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
	VND Cost	VND Cost
BJ-PVD	48,039,113,955	48,039,113,955
PVD Baker Hughes	211,753,000,000	211,753,000,000
PVD Tubulars	30,515,952,000	30,515,952,000
Vietubes	86,787,891,394	86,787,891,394
Foreign exchange differences on translation	40,126,135,321	31,473,441,241
	417,222,092,670	408,569,398,590

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.

15. PROVISION FOR IMPAIRMENT OF LONG-TERM FINANCIAL INVESTMENTS

	Closing balance VND	Opening balance VND
PVD Overseas	196,411,386,270	52,203,455,895
PVD Tubulars	5,859,411,345	-
B1-PVD	-	646,133,820
	<u>202,270,797,615</u>	<u>52,849,589,715</u>

16. DEFERRED TAX ASSETS

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

	Provisions VND
Opening balance	14,689,277,160
Charged in the year	233,920,608
Foreign exchange differences	312,646,542
Deferred tax assets	<u>15,235,844,310</u>

17. SHORT-TERM TRADE PAYABLES

	Closing balance VND	Opening balance VND
Amount	Amount able to be paid off	Amount able to be paid off
Short-term trade payables		
PVD Overseas	290,384,576,400	290,384,576,400
PVD Offshore	70,405,284,690	70,405,284,690
Other suppliers	362,917,997,550	362,917,997,550
	<u>723,707,858,640</u>	<u>723,707,858,640</u>
In which		
Trade payables to related parties		
(Details stated in Note 37)	471,653,525,678	471,653,525,678
	<u>471,653,525,678</u>	<u>471,653,525,678</u>
	585,887,654,178	585,887,654,178
	<u>585,887,654,178</u>	<u>585,887,654,178</u>
	813,532,999,665	813,532,999,665
	<u>813,532,999,665</u>	<u>813,532,999,665</u>

18. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

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

	Opening balance VND	Payable during the year VND	Paid during the year VND	Foreign exchange differences VND	Closing balance VND
Value added tax	8,959,456,252	79,247,569,161	78,210,663,970	-	9,996,361,443
Import and export duties	-	6,152,623,702	6,152,623,702	-	-
Corporate Income tax	104,132,855,633	22,945,708,486	104,132,855,633	-	22,945,708,486
Personal Income tax	8,242,763,914	144,245,326,910	142,697,895,736	-	9,790,195,088
License tax	-	5,000,000	5,000,000	-	-
Others	14,851,915,839	60,488,110,216	63,408,092,934	-	11,931,933,121
Foreign exchange differences	(336,925,348)	-	-	163,440,465	(173,484,883)
	<u>135,850,066,290</u>	<u>313,084,338,475</u>	<u>394,607,131,975</u>	<u>163,440,465</u>	<u>54,490,713,255</u>

19. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Accrued expenses for the operation of drilling rigs	97,998,961,995	89,983,291,095
Accrued expense for providing goods and services	34,678,477,530	34,057,970,220
Accrued interest expenses	-	3,283,818,525
Other expenses	9,070,849,530	27,719,634,975
	<u>141,748,289,055</u>	<u>155,044,714,815</u>

20. OTHER CURRENT PAYABLES

	Closing balance VND	Opening balance VND
Union fee	525,460,935	433,128,150
Social, Health and Unemployment Insurance	1,277,002,230	1,433,561,250
Others	25,946,609,670	21,843,915,045
	<u>27,749,072,835</u>	<u>23,710,604,445</u>

21. SHORT-TERM PROVISIONS

	Provision for overhaul cost of fixed assets VND	Provision for severance allowance VND	Total VND
Opening balance	118,327,482,810	10,667,984,865	128,995,467,675
Addition/(Reversal) of provision for the year	10,062,675,109 (104,587,017,637)	(1,192,280,050)	8,870,395,059 (104,587,017,637)
Utilize during the year	12,749,891,712	-	12,749,891,712
Reclassify from long-term provisions	1,961,775,576	217,999,810	2,179,775,386
Foreign exchange differences	<u>38,514,807,570</u>	<u>9,693,704,625</u>	<u>48,208,512,195</u>

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 VND 38,514,807,570 as at 31 December 2018.

22. LONG-TERM PROVISIONS

	Provision for overhaul cost of fixed assets VND	Provision for overhaul cost of fixed assets VND
Opening balance	112,392,199,260	112,392,199,260
Provision for the year	2,788,354,800	2,788,354,800
Reclassify to short-term provisions	(12,749,891,712)	(12,749,891,712)
Foreign exchange differences	2,313,956,187	2,313,956,187
Closing balance	<u>104,744,618,535</u>	<u>104,744,618,535</u>

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 VND 104,744,618,535 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 current year was as follows:

	Scientific and Technological Development Fund	
	Available	Total
		VND
		The carrying value of assets formed from the fund
Prior year's opening balance	710,771,299,700	9,743,384,800
Increase in the year	59,621,829,667	59,621,829,667
- Transfer from subsidiaries	59,621,829,667	59,621,829,667
Decrease in the year	(595,455,211,003)	(152,475,060)
- Fund usage	(1,080,241,015)	(1,080,241,015)
+ <i>The Company</i>	(1,080,241,015)	(1,080,241,015)
- Reversal of unused fund	(594,374,969,988)	(594,374,969,988)
- Depreciation of fixed assets	-	(152,475,060)
Foreign exchange differences	881,648,776	(20,341,510)
Current year's opening balance	175,819,567,140	9,570,568,230
Decrease in the year	(104,912,954,940)	(160,082,030)
- Fund usage (**)	(614,280,003)	(614,280,003)
+ <i>The Company</i>	(614,280,003)	(614,280,003)
- Reversal of unused fund (*)	(104,298,674,937)	(104,298,674,937)
- Depreciation of fixed assets	-	(160,082,030)
Foreign exchange differences	(59,620,310,540)	201,619,570
Current year's closing balance	11,286,301,660	9,612,105,770
		20,898,407,430

(*) 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 104,298,674,940, equivalent to USD 4,488,861, based on the actual 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 VND 63,915,472,884.

24. OWNERS' EQUITY

Charter capital

According to the 12th 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
Authorized shares	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
Issued shares				
Ordinary shares	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
Treasury shares				
Ordinary shares	(416,000)	(4,160,000,000)	(416,000)	(4,160,000,000)
Shares currently in circulation	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 were as follows:

	<u>Owner's contributed capital</u> VND	<u>Share premium</u> VND	<u>Treasury shares</u> VND	<u>Foreign exchange reserve</u> VND	<u>Investment and development fund</u> VND	<u>Retained earnings</u> VND	<u>Total</u> VND
Prior year's opening balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,665,858,077,087	1,179,099,450,083	3,602,014,864,117	12,692,771,806,100
Profit for the year	-	-	-	-	-	107,170,711,200	107,170,711,200
Transfer from subsidiaries	-	-	-	-	19,683,450,360	-	19,683,450,360
Foreign exchange differences	-	-	-	(22,399,300,070)	-	-	(22,399,300,070)
Current year's opening balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,643,458,777,017	1,198,782,900,443	3,709,185,575,317	12,797,226,667,590
Profit for the year	-	-	-	-	-	46,608,117,840	46,608,117,840
Funds distribution	-	-	-	-	-	(11,420,793,168)	(11,420,793,168)
Foreign exchange differences	-	-	-	258,920,876,433	-	-	258,920,876,433
Current year's closing balance	3,832,661,600,000	2,434,086,374,663	(20,948,559,850)	1,902,379,653,450	1,198,782,900,443	3,744,372,899,989	13,091,334,868,695

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.

30. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expenses	511,778,928	8,140,396,320
Foreign exchange loss	40,732,282,320	43,041,877,200
Additional/(Reversal) provision for impairment of investments	147,321,607,872	(883,512,185)
Other financial expenses	13,132,087,728	22,648,079,345
	201,697,756,848	72,946,840,680

31. GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Labour	141,256,801,104	159,603,786,720
Depreciation and amortization	13,399,990,512	17,372,562,480
(Reversal)/Additional of provisions	(105,700,500,816)	131,125,145,760
Out-sourced services	50,026,246,512	56,814,828,840
Other expenses	27,855,773,664	29,149,968,960
	126,838,310,976	394,066,292,760

32. OTHER INCOME

	Current year VND	Prior year VND
Disposal of fixed assets	4,874,304	1,247,400
Reversal of Science and Technology Development Fund	104,298,674,937	594,374,969,988
Others	592,737,399	3,906,987,012
	104,896,286,640	598,283,204,400

33. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Current corporate income tax expense		
- Corporate income tax based on taxable income from revert of Science and Technology Development fund in previous years to the current year	22,945,708,486	140,445,850,983
- Foreign exchange differences	(239,981,878)	(379,546,143)
Total current corporate income tax expense	22,705,726,608	140,066,304,840

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

	Current year VND	Prior year VND
Profit before tax	69,079,923,840	249,067,722,960
Adjustments for taxable profit		
<i>Less: non-taxable income</i>	299,567,090,496	769,030,945,200
<i>Add back: non-deductible expenses</i>	22,076,067,696	47,027,478,960
Taxable loss	(208,411,098,960)	(472,935,743,280)
Normal tax rate	20%	20%
Current corporate income tax expense	-	-

In 2018, the Company recorded additional CIT expense with the amount of VND 22,945,708,486 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 VND 1,042,444,609,196 (2017: VND 834,033,510,236) 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:

Year	Amount of tax loss VND
2021	372,757,103,174
2022 (*)	461,276,407,062
2023	208,411,098,960
	<u>1,042,444,609,196</u>

(*) 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:

Stated amount VND	Adjustment amount VND	Restated amount VND
472,935,743,280	(11,659,336,218)	461,276,407,062

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 translated 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:

	Closing balance VND	Opening balance VND
Minimum lease payments under operating leases recognized in the translated separate Income statement for the year	<u>17,536,249,005</u>	<u>19,060,498,800</u>

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

	Closing balance VND	Opening balance VND
Within one year	14,055,565,035	17,248,110,330
In the second to fifth year inclusive	25,765,430,610	32,177,047,200
After five years	16,753,924,860	23,161,945,000
	<u>56,574,920,505</u>	<u>72,587,102,530</u>

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>VND</u>	<u>VND</u>
Financial assets		
Cash and cash equivalents	1,638,739,763,115	781,176,740,310
Trade and other receivables	1,207,629,420,615	1,392,537,078,705
Held-to-maturity investments	986,086,105,530	2,086,305,906,540
	<u>3,832,455,289,260</u>	<u>4,260,019,725,555</u>

Financial liabilities

Borrowings	-	561,826,298,205
Trade and other payables (*)	749,654,484,337	835,376,932,018
Accrued expenses	141,748,289,055	155,044,714,815
	<u>891,402,773,392</u>	<u>1,552,247,945,038</u>

(*) 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 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 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 VND	Opening balance VND	Closing balance VND	Opening balance VND
Vietnam Dong ("VND")	1,373,522,879,736	2,473,323,808,385	317,252,549,359	402,316,304,645
Algerian Dinar ("DZD")	660,753,875	25,714,516,141	390,969,183	16,344,911,764
Singapore Dollar ("SGD")	611,820,716	613,494,407	3,743,388,487	4,567,247,250
Euro ("EUR")	82,039,304	84,103,242	203,031,719	1,839,820,832
Thai Baht ("THB")	1,563,213	74,724,215,835	124,227,301	4,818,802,994
British Pound ("GBP")	80,791,326	84,737,636	20,778,177	56,401,380
Australia Dollar ("AUD")	-	-	346,214,448	127,815,108
Myanmar Dollar ("MMK")	22,816,572	22,343,384	357,961,033	3,827,088,654
Malaysia Ringgit (MYR)	5,303,061,324	-	10,300,666,245	-

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 VND 21,125,406,608 (2017: VND 41,420,150,075).

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	Less than 1 year VND	From 1 - 5 years VND	Total VND
Financial assets				
Cash and cash equivalents	1,638,739,763,115		-	1,638,739,763,115
Trade and other receivables	1,198,088,820,165		9,540,600,450	1,207,629,420,615
Held-to-maturity investments	902,086,095,900		84,000,009,630	986,086,105,530
	<u>3,738,914,679,180</u>		<u>93,540,610,080</u>	<u>3,832,455,289,260</u>
Financial liabilities				
Trade and other payables	749,654,484,337		-	749,654,484,337
Accrued expenses	141,748,289,055		-	141,748,289,055
	<u>891,402,773,392</u>		<u>-</u>	<u>891,402,773,392</u>
Net liquidity gap	<u>2,847,511,905,788</u>		<u>93,540,610,080</u>	<u>2,941,052,515,868</u>
31/12/2017		Less than 1 year VND	From 1 - 5 years VND	Total VND
Financial assets				
Cash and cash equivalents	781,176,740,310		-	781,176,740,310
Trade and other receivables	1,378,857,595,290		13,679,483,415	1,392,537,078,705
Held-to-maturity investments	2,086,305,906,540		-	2,086,305,906,540
	<u>4,246,340,242,140</u>		<u>13,679,483,415</u>	<u>4,260,019,725,555</u>
Financial liabilities				
Borrowings	389,838,000,000		171,988,298,205	561,826,298,205
Trade and other payables	835,376,932,018		-	835,376,932,018
Accrued expenses	155,044,714,815		-	155,044,714,815
	<u>1,380,259,646,833</u>		<u>171,988,298,205</u>	<u>1,552,247,945,038</u>
Net liquidity gap	<u>2,866,080,595,307</u>		<u>(158,308,814,790)</u>	<u>2,707,771,780,517</u>

37. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

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



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

	Current year VND	Prior year VND
Sales		
Petrovietnam's subsidiaries	116,323,684,490	84,261,416,400
The Company's subsidiaries	22,031,286,867	18,680,563,440
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	1,312,128,282,154	1,349,104,422,960
<i>In which: details account for 10% or more of total value of transactions:</i>		
- <i>Cuu Long Joint Operating Company</i>	178,350,042,328	182,958,902,280
- <i>Thang Long Joint Operating Company</i>	171,851,273,976	206,125,274,880
- <i>Premier Oil Vietnam Offshore B. V.</i>	176,605,924,389	31,911,997,421
- <i>Talisman Vietnam 07/03 B. V</i>	240,893,524,504	142,730,496,997
The Company's joint ventures	48,499,265,940	32,542,942,320

Purchases

Petrovietnam's subsidiaries	12,671,834,457	89,047,418,040
The Company's subsidiaries	609,637,442,377	702,852,247,440
<i>In which: details account for 10% or more of total value of transactions:</i>		
- <i>PVD Offshore</i>	173,352,831,206	184,335,918,480
- <i>PVD Overseas</i>	304,090,245,037	394,542,345,960
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	1,819,608,472	3,470,493,600
The Company's joint ventures	39,113,708,748	122,584,152,600

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

	Current year VND	Prior year VND
Salaries	5,988,992,200	4,573,577,676
Bonus	306,841,267	1,009,010,334
Other benefits	154,000,000	361,700,000
	6,449,833,467	5,944,288,010

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

	Closing balance	Opening balance
	VND	VND
Receivables		
Petrovietnam's subsidiaries	16,340,000,013	17,813,964,720
The Company's subsidiaries	95,154,325,770	107,716,908,390
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Deepwater	95,154,325,770	107,716,908,390
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	648,785,006,316	772,436,617,680
<i>In which: details account for 10% or more of total value of balance:</i>		
- Vietsopectro Joint Ventures	277,248,747,375	131,664,024,716
- Petrovietnam Exploration Production Corporation	163,484,522,340	147,787,670,649
The Company's joint ventures	26,841,494,151	18,996,873,735
	<u>787,120,826,250</u>	<u>916,964,364,525</u>

Other receivables

The Company's subsidiaries	116,060,023,875	178,401,949,245
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Offshore	17,035,308,114	27,230,070,975
- PVD Well	24,152,554,852	39,367,133,145
- PVD Logging	63,243,686,115	111,804,745,125
- PVD Tech	11,628,474,794	-
The Company's joint ventures	43,205,766,735	-
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Baker Hughes	43,205,766,735	-
	<u>159,265,790,610</u>	<u>178,401,949,245</u>

Payables

Petrovietnam's subsidiaries	12,001,779,654	18,750,550,515
The Company's subsidiaries	429,647,277,615	507,835,525,740
<i>In which: details account for 10% or more of total value of balance:</i>		
- PVD Offshore	70,405,284,690	115,202,863,245
- PVD Overseas	290,384,576,400	341,216,362,050
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	6,829,009,589	24,854,846,970
The Company's joint ventures	23,175,458,820	34,446,730,953
	<u>471,653,525,678</u>	<u>585,887,654,178</u>

38. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental non-cash disclosures

Interest income, dividends and profits received during the year excluded an amount of VND 161,448,873,300 (2017: VND 206,858,151,390), 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 VND 95,540,905,298 (2017: VND 52,712,642,581), 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 TRANSLATED SEPARATE FINANCIAL STATEMENTS

The translated 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

